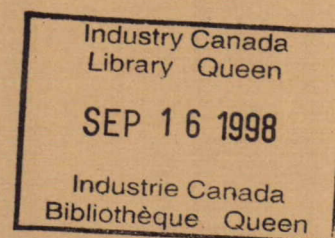


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THE FINAL REPORT  
ON THE IMPACT OF BILL C-58



OCTOBER 16, 1987

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PROGRAM EVALUATION SERIES



This is one of three Background Studies that form part of the evaluation of Bill C-58.

This Study was conducted by Ekos Research for the Program Evaluation Division of the Department of Communications, Canada.

The views expressed herein are the views of the author and do not necessarily represent the views or policies of the Department of Communications.

La présente est une des trois études de fond portant sur l'évaluation de la loi C-58.

L'étude a été entreprise par Ekos Research pour le compte de la Division de l'évaluation des programmes du ministère des Communications.

Les recommandations concernant les politiques et les programmes ou les points de vue exprimés, ici, sont ceux de l'auteur et ne reflètent pas nécessairement ceux du ministère des Communications ou les politiques du ministère.

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## EXECUTIVE SUMMARY

### Purpose of the Study

Bill C-58 was originally enacted in 1966 with the intention of deterring Canadian advertising expenditures in foreign-owned periodicals. In 1976, the legislation was extended to include foreign-owned publications that were printed in Canada. Bill C-58's primary role was to stimulate economic growth in the Canadian periodical industry. Specifically, the act prohibited the deduction of such expenditures for the calculation of taxable income. In effect, advertising in non-Canadian periodicals became more expensive.

The purpose of this study was to quantitatively analyse the impacts that the legislation has had upon the Canadian periodical industry. The specific research problem was to isolate the effects of the legislative intervention from other industry and economic factors affecting the viability of the industry.

### Methodology

The major focus of the analysis was the 1976 legislation. The impacts of the legislation were examined from two perspectives; (i) the performance of the industry as a whole and its key sub-components (e.g., general interest, business and farm publications); and (ii) the performance of selected national circulation periodicals. Performance at the industry level was assessed in terms of the growth in the number of periodicals, total advertising revenues, advertising market share and circulation. For the six selected individual periodicals performance was assessed in terms of advertising revenues and circulation. When appropriate, growth was compared to indicators of general economic performance (e.g., GNP, personal disposable income, corporate profits), population growth and indicators of growth in the U.S. periodical industry.

Data was provided by the Maclean-Hunter Research Bureau, Magazines Canada, Statistics Canada, Canadian Advertising Rates and Data (CARD), the Audit Bureau of Circulation (ABC), and a number of existing reports relating to C-58 and the periodical industries in Canada and the U.S..

The methods of analysis included trend analyses based on comparison of univariate plots of key variables, the calculation of slopes of key variables over time, analysis of variance, and multiple regression analysis. The objective of all of these techniques was to determine if

there were statistically significant differences in the performance of key variables in the pre- and post-1976 periods. The data were not sufficient to support specialised time series analysis techniques.

### Findings

In general, the evidence about the benefits of the 1976 legislation to the periodical industry is mixed and the overall findings are not conclusive. There is much to indicate that the C-58 legislation was associated with a five year period of tremendous growth in the periodical industry. However, it was difficult to determine the extent to which this growth could be attributed to the legislation, in comparison with other factors such as a growth in the economy, consumer trends and sociodemographic changes. Although we conclude that C-58 was an important factor in the period of industry growth in the 1970's, either directly or as a catalyst, the evidence about any positive impacts at present or throughout the 1980's is much weaker.

The original 1966 legislation does not appear to have had any significant effects on the periodical industry. The available data were not detailed and our analysis was limited, but the patterns make it apparent that the 1966 legislation was of little benefit. The exclusion of Time and Reader's Digest, as printed-in-Canada publications, was a contributing factor. Probably more important was the fact that the time was not yet ripe for a take-off in the periodical industries of either Canada or the U.S..

Canadian periodical publishers have often cited the growth in the number of periodicals as evidence of the positive effects of Bill C-58. The results of our analysis of the data support these claims. There were modest increases in the number of periodicals after 1970, but the growth takes off rapidly after 1976. Between 1976 and 1980 there was an average net increase of over 50 new periodicals per year. Proportionately, the rate of growth (i.e., 5.5 per cent per year) was more than twice the rate for the same period in the U.S.. Furthermore, this pattern was consistent for all major types of periodicals. Between 1981 and 1985 the growth rate declined somewhat but was still high.

Total advertising revenues for periodicals started to increase significantly after 1974 and increased by over 50 per cent between 1976 and 1980. Business and farm periodicals showed larger increases, in relative terms, than did general consumer periodicals after 1976.



The advertising revenue increases for periodicals between 1976 and 1980 were substantially larger than the corresponding increases for other media such as broadcasting and newspapers. In general, the five year period after the implementation of Bill C-58 was a successful time for all media, with advertising revenues growing at almost twice the rate of the economy as a whole. However, periodicals began to take a much larger share of the advertising market (i.e., from 6.4 per cent in 1975 to 8.4 per cent in 1980) and revenues increased at a proportionately faster rate. In fact, periodical advertising revenues increased at almost five times the rate of growth of the economy as a whole from 1976 to 1980.

There were large circulation increases for general interest periodicals throughout the 1970's. Circulation increases for general interest periodicals in the 1970's were many times the rate of population growth for the same period. However, the greatest average annual increases took place from 1971 to 1975, when circulation for these periodicals increased by almost 50 million annually. Although still substantial, these annual increases declined to 19 million between 1976 and 1980.

The period of rapid growth, on virtually all dimensions, of the periodical industry between 1976 and 1980 did not continue into the 1980's. The number of periodicals continued to grow significantly, but advertising revenues stabilised with the recession of the early 1980's and the net growth for the period between 1981 and 1984 was very modest. The patterns of declines and increases in the 1980's were closely associated with broad economic indicators such as GNP, personal disposable income and net corporate profits.

The effects of C-58 on the circulation of the major national periodicals studied were almost immediate. These effects also followed the patterns of change in the industry as a whole in that there were large and rapid increases in circulation and advertising revenues which continued until 1980 when the growth stabilised.

The losses for the U.S. periodicals Time and Reader's Digest that resulted from C-58 were short-lived. Although they both had major losses in advertising revenues and circulation following implementation of the legislation, these U.S. publications started to recover their advertising revenues almost immediately. By 1980, both had advertising revenues and circulation totals close to or exceeding the pre-1976 averages, despite the continued influence of C-58.

Of the national Canadian periodicals, Maclean's was a major beneficiary of the legislation. C-58 was instrumental in allowing Maclean's to fulfill the goal of its publishers in becoming a weekly magazine in 1978. Maclean's more than doubled its annual circulation in 1976 and increased it fourfold by 1979. Advertising revenues increased at a more modest rate, but the growth was still substantial by industry standards, rising from \$9 million in 1975 to \$19 million by 1980. Chatelaine, Saturday Night and Canadian Geographic made increases in circulation and advertising revenues between 1976 and 1980 that equalled (i.e., in proportional terms) the increases of Maclean's. Given that the rates of these increases were so much higher than those of other economic, social or industry variables during this period, we can only conclude that C-58 had a major and positive impact from 1976 to 1980.

After 1980, it becomes much more difficult to find evidence of positive effects from C-58. The advertising revenues of Maclean's continued to increase throughout the 1980's, although circulation stabilised. For the other three Canadian periodicals studied, circulation increased while advertising revenues showed no net increases after 1980.

In summary, we believe that our analysis has shown that C-58 had a positive effect on the Canadian periodical publishing industry. The benefits have been demonstrated both for the industry as a whole and for a selection of major national publications. The evidence resulting from the different analyses indicates that, at a minimum, there was a short-term displacement effect that was well timed to help the Canadian industry take-off for a period of unparalleled growth. What we cannot isolate from other factors such as economic growth and changing consumer trends, is the extent of this growth that can be directly attributed to C-58.

Despite the conclusions about the positive effects of C-58 in the 1970's, we have been unable to establish with confidence that the benefits continued to be felt into the 1980's. A strong association between the viability of the industry and broader economic factors meant a period of slow growth in the early 1980's and uncertain growth until 1986. Furthermore, with the exception of the growth in the total number of periodicals, growth did not outpace general economic performance or the growth of the major American periodicals sold in Canada. The advertising patterns of Canadian governments may have inadvertently contributed to this apparent weakening of the effects of C-58.

The adverse effects can be expressed in terms of actual spending in foreign publications and in terms of influence over private advertisers that may not feel obliged to comply with C.58.



## RÉSUMÉ DE LA DIRECTION

### Objectifs de l'étude

A l'origine, en 1966, le bill C-58, avait pour but de décourager l'insertion de publicité canadienne dans les périodiques étrangers. En 1976, la loi était élargie en vue de toucher également les publications imprimées au Canada mais appartenant à des maisons étrangères. Le bill C-58 visait avant tout à stimuler le développement économique de l'industrie canadienne du périodique. En vertu de cette loi la déduction des dépenses publicitaires de ce genre du revenu imposable devenait interdite. En d'autres mots, le coût de la publicité inscrite dans des périodiques étrangers devenait considérablement plus élevé.

L'objet de cette étude est de mesurer les répercussions de cette loi sur l'industrie canadienne du périodique. Il s'agissait plus précisément, d'isoler les effets de cette législation des autres facteurs industriels et économiques affectant la viabilité de l'industrie de la publication.

### Méthodologie

Notre analyse portait principalement sur la législation de 1976. Les effets de celle-ci ont été étudiés selon deux dimensions différentes: (i) le rendement de l'industrie en général et de ses principales catégories de publication (intérêt général, affaires, etc.) et (ii) le rendement de 7 périodiques à tirage national. On a évalué le rendement de l'industrie par rapport au nombre de périodiques, au total des recettes publicitaires, à la part de marché et au tirage. Le rendement des six périodiques étudiés a été mesuré en termes du tirage et des recettes publicitaires. Lorsque possible, on a aussi comparé la croissance de l'industrie avec certains indicateurs économiques (par ex: PNB, revenu personnel disponible, bénéfices des sociétés) et avec le taux de croissance de l'industrie américaine du périodique.

Les données ont été fournies par Maclean-Hunter Research Bureau, Statistiques Canada, les répertoires CARD et ABC ainsi que par certains autres rapports portant sur le bill C-58 et sur les industries canadiennes et américaines du périodique.

Les méthodes utilisées comportaient des analyses de tendances basées sur des comparaisons de graphiques univariés des variables-clés, sur le calcul des pentes des variables-clés pour une période donnée, sur l'analyse des variances et sur des analyses de regressions

multiples. L'utilisation de ces techniques avait pour but de déterminer s'il existait des différences notables en termes statistiques entre la performance des variables-clés au cours des périodes antérieures et ultérieures à 1976. Malheureusement, nous ne disposions pas des données nécessaires pour procéder à des analyses de séries chronologiques plus spécialisées qui nous auraient permis de mieux circonscrire les phénomènes étudiés.

### Résultats

En général, en ce qui concerne les effets bénéfiques de la loi de 1976 sur l'industrie du périodique, les résultats sont mixtes. Plusieurs choses indiquent que la loi C-58 est liée à une formidable poussée de l'industrie du périodique. Toutefois, il s'est avéré difficile de déterminer dans quelle mesure cette expansion est attribuable à la loi C-58 plutôt qu'à d'autres facteurs tels la croissance économique, les tendances du marché et les changements socio-démographiques. Bien que nous concluons qu'au cours de la période de croissance des années '70 la loi C-58 a eu un rôle important, directement ou en tant que catalyseur, les signes d'un impact positif au cours des années '80, sont beaucoup moins évidents.

La législation initiale de 1966 ne semble pas avoir eu d'effets significatifs sur l'industrie. Bien que les données dont nous disposions étaient limitées et que notre analyse s'en est trouvée affectée, l'analyse des tendances établit que la loi de 1966 a eu bien peu d'effets positifs sur l'industrie. L'inclusion du Time et du Reader's Digest au titre de publications admissibles parce qu'imprimées au Canada, a certainement contribué à cet état de choses. Par ailleurs, le fait que ni l'industrie canadienne ni l'industrie américaine n'étaient tout à fait prêtes à prendre leur essor à ce moment-là, semble en être la principale raison.

Les éditeurs ont affirmé à plusieurs reprises que l'augmentation du nombre de périodiques attestait sans contredit des répercussions positives du bill C-58 et les résultats de notre analyse confirment ceci. De 1970 à 1976, on note une légère augmentation du nombre de périodiques mais après 1976 l'industrie prend rapidement de l'essor. En moyenne, de 1976 à 1980, on note une augmentation nette de plus de cinquante nouveaux périodiques par année. Proportionnellement, le taux de croissance (c-à-d 5.5. pour cent par année) pour cette période est plus de deux fois supérieur au taux de croissance de l'industrie américaine pour cette même période et ceci de manière uniforme pour toutes les grandes catégories de périodiques. Entre 1981 et 1985 le taux de croissance a quelque peu ralenti mais est tout de même demeuré élevé.

Les recettes globales provenant de la publicité ont commencé à croître de façon significative à partir de 1974 et ont augmenté de cinquante pour cent entre 1976 et 1980. Après 1976, les périodiques des catégories "affaires" et "agriculture" ont connu les plus importantes augmentations par rapport aux périodiques d'intérêt général.

Entre 1976 et 1980, la croissance des revenus publicitaires des périodiques est considérablement plus élevée que celle des autres média tels les journaux et la télévision. En général, les cinq années qui ont suivies l'entrée en vigueur du bill C-58 se sont avérées très prospères pour tous les média et on note que le taux d'augmentation des revenus était de près de deux fois supérieur au taux de croissance de l'économie pour cette même période. Les périodiques ont commencé à cette époque à accaparer une plus grande part du marché de la publicité (c-à-d de 6.4 pour cent qu'elle était en 1975, elle est passée à 8.4 pour cent en 1980). En fait, de 1976 à 1980, le taux d'augmentation des revenus publicitaires de l'industrie du périodique est près de cinq fois supérieur au taux de croissance de l'économie en général.

Le tirage des périodiques d'intérêt général a augmenté de manière très importante au cours des années '70. Cette augmentation dépassait de beaucoup le taux de croissance de la population au cours de cette même période. Toutefois, la plus importante moyenne d'augmentation annuelle s'est produite de 1971 à 1975 alors que le tirage de ces périodiques a augmenté de 50 millions par année. Bien que ces augmentations annuelles soient demeurées considérablement élevées de 1976 à 1980, le taux a tout de même chuté à 19 millions.

L'essor qu'a connu l'industrie du périodique sur tous les plans entre 1976 et 1980 ne s'est pas poursuivi au cours des années '80. Le nombre de périodiques a continué d'augmenter considérablement mais les revenus publicitaires ont atteint un plateau au cours de la récession économique du début des années '80 et le taux net de croissance pour la période de 1981 à 1984 est très modéré. Les tendances dans l'industrie des périodiques au cours des années '80 sont étroitement liées aux indicateurs généraux de l'économie tels le PNB, le revenu personnel disponible et les bénéfices des sociétés.

Le bill C-58 a eu des répercussions immédiates en ce qui concerne le tirage des principaux périodiques nationaux que nous avons étudiés. Ces effets sont conformes à ceux qui se sont manifestés dans l'industrie en général en ce que les augmentations du tirage et des revenus



ont été importantes et rapides jusqu'à ce qu'elles se stabilisent vers 1980.

Suite à l'entrée en vigueur de la loi, les périodiques américains Time et Reader's Digest ont accusé des pertes importantes sur les plans du tirage et des revenus publicitaires. Par ailleurs, ces deux publications américaines ont commencé à recouvrer leurs revenus publicitaires dès les premières années après l'entrée en vigueur de la loi. Malgré la présence de C-58, ces publications affichaient dès 1980, un tirage et des revenus presque aussi élevés ou encore supérieurs à la moyenne des années précédant 1976.

En ce qui concerne les périodiques nationaux canadiens, il semble que C-58 ait été particulièrement favorable à la revue Maclean's. La législation a permis à cette publication de passer de mensuel à hebdomadaire, en 1978, ce que souhaitait ses éditeurs. Le tirage annuel de cette publication a plus que doublé en 1976 et avait quadruplé dès 1979. Les revenus publicitaires ont augmenté de manière un peu moins rapide mais tout de même de façon importante en passant de 9 millions à 19 millions de 1975 à 1980. Entre 1976 et 1980, le tirage et les revenus publicitaires des revues Châtelaine, Saturday Night, et Canadian Geographic ont connu une augmentation égale, proportionnellement, à celle de Maclean's. Puisque ces taux d'augmentation sont beaucoup plus élevés que ceux des indicateurs économiques et de ceux de l'industrie pour cette période, nous ne pouvons que conclure que C-58 a eu des répercussions importantes et positives de 1976 à 1980.

Il est plus difficile d'établir quels sont les effets positifs de C-58 pour la période d'après 1980. Les revenus publicitaires de Maclean's ont continué d'augmenter au cours des années '80 mais le tirage s'est stabilisé. En ce qui concerne les autres périodiques canadiens que nous avons étudiés, on note une augmentation du tirage mais aucune augmentation des revenus publicitaires, après 1980.

En bref, nous croyons que notre analyse a démontré que C-58 a été favorable à l'industrie canadienne de la publication de périodiques. Notre étude indique quels ont été les avantages de cette législation tant pour l'industrie que pour les principales publications nationales que nous avons choisies. Les résultats des diverses analyses indiquent que C-58 a, au minimum, créé un court effet de transfert qui a permis à l'industrie canadienne de prendre son essor et de connaître une période d'expansion sans précédent. Cependant, il nous est impossible de déterminer dans quelle mesure cet essor est attribuable à C-58 et

d'isoler cette expansion des facteurs économiques et des tendances du marché.

Malgré les conclusions auxquelles nous sommes arrivées en ce qui concerne les effets positifs de C-58 au cours des années '70, nous ne pouvons établir avec certitude que ces répercussions ont continué de se faire sentir au cours des années '80. La viabilité de l'industrie étant étroitement liée à l'ensemble de l'activité économique, la croissance a donc ralenti au début des années '80 et a été instable jusqu'en 1986. De plus, à l'exception de l'augmentation du nombre de périodiques, le développement de l'industrie n'a pas dépassé le rendement économique et le taux de croissance des principaux périodiques américains vendus au Canada. Les dépenses des gouvernements canadiens au chapitre de la publicité ont peut-être contribué, sans le vouloir, à miner les effets de C-58 c'est-à-dire que les sommes consacrées à la publicité placée dans des publications étrangères par le gouvernement n'ont sans doute pas incité les annonceurs canadiens à respecter les termes de cette loi.

## 1.0 INTRODUCTION

### 1.1 Objectives of Bill C-58

Bill C-58 amended Section 19 of the Income Tax Act in January, 1976. As a policy instrument, it was directed at discouraging the expenditure of Canadian advertising dollars in non-Canadian periodicals targeting the Canadian market. Specifically, the act prohibited the deduction of such expenditures for the calculation of taxable income. In effect, advertising in non-Canadian periodicals became more expensive. The intended impact of the legislation can be summarised as follows:<sup>1</sup>

- to divert advertising revenues from non-Canadian periodicals to Canadian-owned periodicals;
- to encourage the emergence of a Canadian weekly news magazine;
- to increase the size, number and saleability of all Canadian magazines;
- to create a climate conducive to the growth of Canadian magazines; and
- to enhance a sense of Canadian identity through periodical publishing.

Bill C-58's primary role was to stimulate economic growth in the Canadian periodical industry. In addition to the economic goals of this protectionist act, the legislation was also intended to encourage the promotion of a distinct Canadian identity. Furthermore, the legislation was an attempt to address the key issues defined by several decades of debate about Canadian sovereignty over ideological instruments such as the mass media.

Bill C-58 was originally enacted in 1966 with the intention of deterring Canadian advertising expenditures in foreign-owned periodicals. However, the effects of this

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<sup>1</sup> These points are summarised from the discussion in the House of Commons debate and Committee hearings as reported in "The Impact of Bill C-58 on English Language Periodicals in Canada" (December 1978) by Dr. I.A. Litvak.



legislation were limited in that two of the foreign-owned giants were specifically exempted because they were printed in Canada. In an attempt to control the growth of foreign periodicals and promote the weaker Canadian industry, the C-58 legislation introduced in 1976 prohibited Canadian advertisers from deducting expenses for advertising in foreign periodicals, whether printed in Canada or not, as valid expenditures for income tax purposes. We should note that the 1976 legislation was intended primarily for the broadcast industry, although this revision of the 1966 legislation was also viewed as a very significant one for periodical publishing.

Although there was some controversy over the legislation (e.g., allegations that it was designed to benefit one periodical in particular) recent studies<sup>1</sup> have concluded that the impacts of the legislation were positive. However, none of these apparently positive impacts were quantified in a rigorous manner.

## 1.2 Purpose of the Study

The purpose of this study is to quantitatively analyse the impacts that the legislation has had upon the Canadian periodical industry. In order to effectively do so, we must complete the picture by also considering the historical and economic factors that prevailed at the time of the legislation. These factors will be elaborated upon more extensively in the next chapter.

The research problem at hand is to isolate the effects of the legislative intervention upon the periodical industry. Specifically, it has been our intention to answer questions such as:

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<sup>1</sup> i) Ibid.  
ii) Arthur Donner, Mel Kilman, Television Advertising and the Income Tax Act, An Economic Analysis of Bill C-58, for the Department of Communications, November 1983.

- What was the overall impact that Bill C-58 had upon the industry?
- What was the impact of Bill C-58 per se on selected indicators of growth such as advertising revenues, circulation, number of periodicals, and share of the advertising market?

The examination of industry level performance is essential to answer these questions and to obtain an overall perspective. However, we suspected that industry-level data could mask some of the specific impacts of Bill C-58. For example, the aggregate data include many forms of periodicals (e.g., French language) that are not particularly germane to the analysis since these periodicals were not directly susceptible to the impacts of the legislation. Furthermore, many periodicals are specialised consumer interest magazines. While these magazines may have been exposed to economic competition for advertising resources from U.S. periodicals, they did not represent the national cultural vehicle that was so prominently advocated by the proponents of C-58. The cultural nationalists seemed more preoccupied with the distinctive absence of a truly Canadian national weekly magazine.

An analysis of aggregate industry performance was not considered to be sufficient to address these issues. In order to look for publication-specific impacts to the legislation, a small sample of key individual periodicals was also analysed.<sup>1</sup> The main questions for this analysis were as follows:

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<sup>1</sup> The Influence of American cultural products was particularly acute for English speaking Canadians. The difference in language made it apparent that there would be little penetration of American editorial content in the French language market. For these reasons, this study focuses only upon the English language periodicals in the analysis of individual periodicals. French language publications are included in the industry-level analysis.

- What impact did C-58 have upon major national periodicals?
- What consequences did C-58 have upon foreign-owned periodicals?
- Were advertising revenues formerly spent on U.S. publications ever repatriated?

Although C-58 was intended to be positive in effect, by design its purpose was to deter certain undesirable behaviour through the use of punitive measures. The punitive aspect was the increased expense of advertising in a foreign periodical. Therefore, the impacts of C-58, in addition to being gauged by positive indicators such as growth, can also be evidenced through negative indicators such as the demise of foreign periodicals in Canada.

The advertiser was placed in a situation of having to decide whether to advertise in the more costly foreign periodicals or to advertise in Canadian periodicals. The objects of advertiser behaviour subsequent to the legislation are examined through the analysis of advertising revenues for four Canadian and two American periodicals.

An advantage of this study of the effects of C-58 is that ten years have lapsed since the introduction of the legislation. Any of the other available studies on the matter (and these are very few) cease their examination in the period immediately following the legislation, encompassing a span of no more than two to three years. Within this time frame, the intended effects of C-58 were more apparent. What was not evident though, were the pronounced effects of the early 80's recession upon the industry and the remarkable comeback that was staged by Time and Reader's Digest by 1980. Both of these later developments will be taken into account when the impacts of C-58 are analysed.



### 1.3 Organisation of the Report

The purpose of this report is to present the results of a quantitative analysis of the effects of C-58. In addition, we chronicle the significant historical developments that have had impacts upon the periodical industry. In doing so, we expose other factors prevalent at the time, which together with the interventionist effect of C-58, prepared the periodical publishing industry in Canada for an impressive take-off in growth. These factors are highlighted in Chapter Two of this report.

Chapter Three describes the data sources available for analysis and gives an overview of the methodology employed. Specifically, we offer a description of the statistical methods used and how the results should be interpreted. We discuss the use of the two levels of analysis: the industry and individual publication level.

Chapter Four summarises the results of the industry level analysis. Here we attempt to explain the growth by indicators such as number of periodicals, circulation, and advertising revenue, in addition to discussing the significance of advertising market share.

Chapter Five summarises the results of the individual periodical analysis. The periodicals selected for closer examination include Time, Reader's Digest, Chatelaine, Maclean's, Saturday Night and Canadian Geographic.

In Chapter Six we offer our overall conclusions about the impacts of Bill C-58.



## **2.0 HISTORICAL CONTEXT AND BACKGROUND TO BILL C-58**

### **2.1 Introduction of the Legislation**

The prohibition of income tax deductions for advertising expenditures in foreign periodicals was originally introduced in 1966, as an amendment to Section 19 of the Income Tax Act, after considerable debate and controversy over the state of the periodical publishing industry in Canada. Pivotal to the introduction of this legislation was the outcome of the Royal Commission on Publications in 1960. Known as the O'Leary Commission, it studied the role of mass media in Canadian culture and the periodical publishing industry was prominent on the agenda.

The Commission's focus of enquiry was broad and enabled many divergent viewpoints to emerge. The ideological territories mapped by the Commission encompassed both cultural nationalism and economic protectionism. Both the cultural and economic aspects of the periodical industry in Canada were perceived to be threatened by the ever growing presence of foreign periodicals.

The mass media, particularly print media, was perceived to be a perfect medium for the promotion of a Canadian identity. Acknowledging the sensitivity of the press, the Commission prefaced its enquiry with the assumption that "a truly Canadian printing press... was indispensable in a sovereign society".<sup>1</sup> At the time, widespread concern existed over the extent of the inculcation of American ideology on Canadians. Many believed that the editorial content of American periodicals was not balanced with the availability of comment pertinent to Canada. There was a conscious desire on the part of many

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<sup>1</sup> Report, Royal Commission on Publications, May 1961, Introductory preface.

Canadians to promote a unique Canadian identity and an awareness of Canadian culture while simultaneously blocking the threat of American indoctrination.

Apart from this cultural aspect, there was marked concern over the diverse economic impacts of the presence of foreign periodicals in Canada. Foreign periodicals were considered to be those that did not conform to all the requirements for a "Canadian" publication. Specifically, they were not located, edited or printed in Canada (e.g., foreign periodicals accommodated Canadian markets through diverse variations).

The first variation, known as the split run, is characterised by advertising spaces directed at consumers in particular geographic areas. The second variation is the regional edition. Here the publisher, not the advertiser, is responsible for the differing editions. The third variation involves the publication of a Canadian section. It differs from the regional edition in that a Canadian section is a further addition to the publication. The fourth variation is the Canadian edition, which is distinguished as a separate press-run itself, although much of the parent editorial content is reused. All of these forms facilitated the continued growth and presence of American periodicals in Canada.

By the early 1960's direct measures were discussed to counter this widespread growth. The timing was particularly auspicious given that the Canadian magazine industry experienced a sharp drop in advertising revenues between 1960-65. The O'Leary Commission played a vital role in this discussion.

Allegations of inequitable competition were made by Canadian magazines where publishers claimed:

- that the cost of obtaining circulation by subscription was greater for Canadian magazines;
- that their U.S. counterparts enjoyed more advantageous postal rates;



- that potential advertising revenues were taken by overflow circulation as well as the Canadian editions of Time and Reader's Digest; and
- that Canadian magazines were bumped from scarce newsstand space due to a consumer preference for established high-circulation magazines.

The first direct action taken as a result of a recommendation from the O'Leary Commission, was an amendment to the Income Tax Act, effective in 1966. This legislation prohibited the deduction of advertising expenses for advertising in foreign periodicals that were directed at the Canadian market. This legislation, however, exempted foreign periodicals printed or published in Canada. Consequently, the two foreign-owned giants, Time and Reader's Digest, were both exempted from the provisions of this act by virtue of the definition of "non-Canadian". Reader's Digest had operated an editorial office in Canada since 1948, while Time had opened one in 1962.

The O'Leary Commission also considered deterrent measures in the use of customs regulations. It was proposed, and subsequently passed as law, that split runs or regional editions containing greater than five per cent advertising aimed at the Canadian market, be prohibited from entry in Canada.

The effects of this initial legislation will be discussed again in later parts of the report. As will be seen, the act had apparently negligible effects upon advertising revenues. In fact, the industry continued to weaken to the point where another committee was established to review the situation.

## **2.2 Senate Committee Report and Bill C-58**

A subsequent study was conducted in 1968. This was the Senate Committee Report on the Mass Media, also

known as the Davey Commission. The purpose of this study, which continued the work initiated by the O'Leary Commission, was to examine the relationship between the mass media and Canadian Society. Although there was continued interest in the cultural aspects of the periodical publishing industry, it was evident that the economic aspects of the situation also required study.

In spite of the earlier intervention, the Canadian magazine industry was still confronted with two major problems. First, there continued to be an outflow of Canadian advertising dollars to publications originating from the U.S.. Second, there was competition from the special Canadian editions of U.S. periodicals. Low editorial costs for Canadian editions gave these publications a favourable advantage in comparison to Canadian periodicals. The effects of this foreign competition were clear. Revenues were down, circulation was poor and very few magazines were financially viable. The few that were viable included Time, Reader's Digest, Miss Chatelaine and Toronto Calendar magazines.

The difficulties of the periodical industry were partially accounted for by the following factors:

1. There was continued competition from overflow circulation of foreign periodicals, which accounted for 70 per cent of all magazines published in Canada;
2. Drop in market share. Between 1954 and 1968 the share of total advertising revenues spent on magazines dropped from 4.2 per cent to 2.4 per cent. One of the main reasons was that during this period, advertisers switched to other media (i.e., broadcasting); and
3. Strengthening of Time and Reader's Digest. While the Canadian industry was depressed, Time and

Reader's Digest were showing marked gains in their advertising revenues (see Exhibit 2.1). In addition, total circulation for these magazines had increased.

**EXHIBIT 2.1**  
**Growth in Revenues: Time and Reader's Digest (Non-Adjusted)**

	<u>1960</u>	<u>1969</u>	<u>% Change</u>
<u>Time</u>	\$ 215,000	\$ 440,000	+105%
<u>Reader's Digest</u>	\$1,068,000	\$1,448,000	+ 36%

The stagnant state of the Canadian periodical publishing industry was not acceptable to either the industry or the government of the day. The Davey Commission recommended that Bill C-58 be re-enacted, repealing the 1966 legislation and repeating all its terms and conditions, with no exemptions, however, for publications printed in Canada. Subsequently, Bill C-58 was once again enacted in 1976 with the same intention to prohibit the deduction for tax purposes of advertising expenses in non- Canadian periodicals.

Both the O'Leary and Davey Commissions were instrumental to the enactment of Bill C-58. Together, these Commissions reflected almost two decades of relatively constant debate about ways of improving the periodical industry, from both cultural and economic perspectives.

Other factors were emerging which would serve to change the nature of the periodical industry. While attention was focussed on the political remedy, the content and characteristics of the industry were changing. In particular, there was a sudden growth in the popularity of periodicals as an advertising medium. There was also a growing sophistication in the industry, accompanied by technological advances and specialised periodicals. The following section provides some of the background for the

reasons why periodicals became a more favoured advertising medium. The growth in number and specialisation of periodicals is discussed in the section presenting the industry level analysis.

### **2.3 Growth of Periodicals as an Advertising Medium**

Periodicals represent one of several media utilised by advertisers. Each form (i.e., broadcasting, newspapers, outdoor media, etc.) has its relative advantages and disadvantages and will appeal to advertisers in different ways. Over time, changes occur which can generate shifts in advertising patterns. One such shift which is important for our analysis, was the prominence gained by periodicals in the mid 1970's.

As television became a more popular medium throughout the 50's and 60's it attracted considerable advertising revenues. By 1980, over 98 per cent of households were equipped with television sets. Increasingly though, technological and market forces served to fragment the television audience. Cable television, converters, more and specialised networks helped to segregate the target audience. This fragmentation in viewing behaviour affected both broadcasters and advertisers. Advertisers in particular recognised the threat of the viewer base erosion (i.e., pay TV method) for cost-effective advertising.

As a consequence of this decline in the viewer base, television advertising costs increased by 67 per cent over a five year period from 1976 to 1980. The rate of increase for consumer magazines for this period amounted to only 37 per cent. Therefore, on the basis of price alone, periodicals became more competitive.

The enabling forces which favoured periodicals as a more advantageous advertising medium during the 1970's can be summarised as follows:



1. Although television advertising continued to be popular, the increased cost and limited availability of advertising time made it less competitive.
2. The fragmentation of the television audience hindered the cost-effectiveness of television advertising. However, this same market fragmentation was conducive to the proliferation of specialised consumer periodicals. Advertisers were able to target markets with greater precision and greater effect. Specialised magazines gradually replaced the mass circulation periodicals (i.e., Look, Life, Liberty and the Saturday Evening Post).
3. The sharp increases in personal disposable income during this time served to bolster the growing interest in hobby and leisure activities and special interest magazines.
4. There was also an increased sophistication in periodical readership. Measurements of readers taken by the Print Measurement Bureau, using typical socio-economic indicators such as levels of education, income and occupation, revealed that consumers of magazines represented desirable market segments. Furthermore, data on the number of readers per periodical became available which documented a readership well beyond the number of copies sold.
5. During this time, there was an enormous growth of controlled circulation or "free" magazines. These magazines, delivered to specialised areas or inserted into daily newspapers, comprised approximately 30 per cent of total magazine circulation in the 1970's.

6. Growth in advertising revenues mirrored the growth in the economy at large. Economic vitality can be gauged through indicators such as Gross National Product (GNP) and corporate profits. Both of these indicators were strong during the 1970's and they are both highly correlated with periodical advertising revenues. Periodical publishers were direct beneficiaries of growth in the economy at large through increased advertising revenues.

### 3.0 METHODOLOGY AND DATA SOURCES

#### 3.1 Overview

As previously stated, our research objective was to determine the impacts that C-58 had upon the periodical publishing industry. Although legislation was originally introduced in 1966 and we do discuss the impacts of that act, we are primarily interested in the impacts of the second enactment that became effective in 1976. Specifically we wish to address the following research issues:

- What were the quantitative effects of C-58 on the industry at large and for certain periodicals?
- Were the effects positive, as indicated by the number of periodicals, increase in advertising revenues and circulation, etc.?
- What effects did the legislation have upon foreign periodicals?
- How did growth in the industry compare to overall economic growth?
- To what extent did other factors contribute to the growth of the industry?
- What was the extent of the impact of the legislation (e.g., were they consistent over the years or were they a one time displacement)?

This list of questions is by no means exhaustive but it provides the basic framework for the analysis. The remainder of this chapter offers an overview of the analysis conducted and a description of the data available. Prior to doing so, an important caveat with respect to the analysis undertaken must be mentioned. The legislation represents an intervention at one point in time and our task has been to comparatively examine the data prior to and after the intervention. However, it is evident that there were many factors other than the legislation which could also explain

the growth in the industry after 1976. Although much of our statistical analysis results in strong correlations and associations, from which we can make conclusive statements about the viability and growth of the industry, it does not let us conclusively attribute this growth to Bill C-58 or any other single factor.

It must also be noted that the analysis was undertaken with the assumption that the legislation was fully complied with (i.e., companies submitted accurate tax statements). Since the legislation involved voluntary compliance, as is the case with many income tax measures, there is the risk that the legislation was successfully circumvented.<sup>1</sup> Advertisers may have continued to advertise in foreign periodicals but managed to circumvent the law because of:

- a lack of Revenue Canada resources to monitor companies and isolate domestic vs. foreign billings; and
- the use of 'off shore' billing practices with parent-subsidiary transactions.

Non-compliance has been cited as a problem by periodical publishers, but there was no evidence available to justify altering our assumption of compliance for this analysis.

### **3.2 Levels of Analysis**

The statistical analysis was conducted at two levels; the industry as a whole and individual periodicals. The two levels of analysis are complementary. Together, they allow us to present a more complete picture.

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<sup>1</sup> The circumvention of the legislation was discussed as a problem for C-58 and television advertising (Donner and Kilman).

The purpose of undertaking the aggregate level analysis was to assess the overall impacts of Bill C-58 upon the industry. The effects should be visible using key indicators such as advertising revenue, circulation and total number of periodicals. The market share of advertising revenue also reflects the positioning of periodicals within the total picture. The available data spans a period of approximately 20 years.

Prior to conducting our analysis, we had hypothesised that the effects of the legislation would be most apparent at the individual level of analysis because there was a common belief that specific periodicals, both Canadian and American, were the targets of the legislation. To test this general hypothesis, we conducted a detailed analysis of six major periodicals, two American and four Canadian. Specifically, we looked for patterns or results at the periodical level which were not apparent at the industry level.

### **3.3 Data and Data Sources**

Because our objective was to assess the quantitative impacts of the legislation based on a time series analysis, we needed a comprehensive and systematic source of data for periodicals, particularly for advertising revenues. Of course, no single source exists for this information, particularly given the number of variables we wanted to examine. As a result, many data sources were referred to in order to provide an overall picture of the industry from 1956 to 1986. This requirement presented some problems of comparability, even within the same data sets.

Individual periodicals were selected based on information from Magazines Canada advertising revenue reports provided by the Maclean Hunter Research Bureau. The reports included advertising revenues per year and the number of advertising pages sold for all issues combined,



per year. These data covered the period from 1970 to 1986. However, only seven periodicals published continuously through that period. Six of these periodicals were selected for our analysis, and for these six we collected additional data from Canadian Advertising Rates and Data (CARD) for the same period including advertising rates, circulation (i.e., by subscription and single copy sales), price (i.e., subscription and single copy). Data were collected for two time points per year as dictated by the CARD format which prints circulation statements based on semi-annual audits.

Industry level data were drawn from a wider range of sources and much of the data was available for as far back as 1956. The Maclean Hunter Research Bureau prepares an annual report of total advertising revenues in Canada by medium, which provides data on magazine advertising revenues, and the total advertising market share of periodicals. Advertising revenues by periodical type were also available from this source.

We also used CARD publications to provide an estimate of the number of Canadian periodicals and their total circulation per year. This second figure took a great deal of effort to determine and was calculated by multiplying the circulation of one issue (or the average of two issues) of each periodical by the number of issues per year. Totals were calculated by taking the sums for all periodicals for each year. There are some caveats to note regarding these figures. To begin, CARD does not include all periodicals. It only publishes those which choose to (or can afford to) be included. Therefore, some smaller periodicals and those which have a short life may be excluded. The circulation data are restricted to those publications that published circulation figures (a late audit statement meant the circulation was not published). Circulation over time could incorporate the same figures for

a periodical more than once if a new audit was not conducted. Despite these limitations, the CARD figures can be used to illustrate general trends. To provide a point of comparison for the CARD data, figures compiled by the Audit Bureau of Circulation (ABC) regarding Canadian periodical circulation from 1966 to 1981 were examined.

The Maclean Hunter Research Bureau reports provided advertising revenue data for three categories of periodicals pertinent to this analysis; general periodicals, business periodicals and farm periodicals. To be consistent we used these categories throughout our analysis. General periodicals refer to a broad range of consumer-oriented magazines. Very specialised ones such as university publications and arts periodicals are included, as well as consumer, general news, and fashion magazines. Business periodicals represent trade, technical and professional publications. A significant portion of business magazines are controlled circulation, that is, for the most part they are not sold in stores or by subscription. Instead, they are distributed to members of professional associations. The third category of farm periodicals serves two purposes. They can be considered business magazines because they are directed to a particular occupation, but, they also serve as the source of news in rural areas. They are also published in sufficient numbers for CARD and the Maclean Hunter Research Bureau to identify farm publications as a separate category.

### **3.4 Methods of Analysis**

Similar methods of analysis were employed for both the industry and the individual periodical levels of analysis. The methods range in complexity from plots of data over time to multiple regression modelling techniques.

### Univariate Plots

The first step in the analysis was to prepare plots of changes in key variables over time. For the overall industry and for the three categories of periodicals, we plotted changes in the number of periodicals, circulation, advertising market share, and advertising revenues over time. In order to contextualise the patterns of change we also made graphic comparisons with population and Gross National Product. These plots present a visual representation of industry changes from 1956 to 1986. For each of the individual periodicals (Chatelaine, Saturday Night, Canadian Geographic, Maclean's, Reader's Digest and Time) we plotted total circulation and advertising revenues over time.

### Slope Determination

It is sometimes difficult to discern overall trends in data through the examination of plots. In order to provide a summary measure of overall patterns in the data, we computed a series of slopes for each of the plots of change over time. We computed regression coefficients (B's) for the relationship between the time (i.e., year) and each variable. They were computed for the overall relationship in the period, the period up until 1975, and after the passage of C-58 in 1976. The B's can be interpreted as the amount the variable can be expected to change as a result of an increase of one year. The B's can be either negative or positive indicating an increase or decrease over time. By comparing the overall slope, the pre-1976 slope and the post-1976 slope and by testing for statistically significant differences, we can gain some idea of how the introduction of C-58 in 1976 influenced the patterns of change in key variables over time.

### Regression Modelling Techniques

In addition to the above analyses of change over time, we tested regression models, both at the industry and individual publication levels, in an attempt to account for changes in advertising revenue. The number of time points restricted the complexity of this analysis. At the industry level, we were also very limited in the number of variables which could be entered into the regression model as independent terms.

In a time series study, qualitative variables are often relevant to the total analysis, but are not easily incorporated into a regression analysis. This type of analysis encourages the use of interval variables that are subject to precise measurement. Non-interval variables can be incorporated into a regression framework through the use of dummy variables. The intervention effects of Bill C-58 were coded in the form of a dichotomous variable (i.e., before and after 1976).

At the individual publication level, we used this same intervention variable as well as black and white and colour ad rates, single copy and subscription prices and total circulation as independent variables.

The regression models were tested in their linear (i.e., straight line) forms. The best fit is defined in terms of least squared error. The quality or fit of a model can be loosely derived by examining the coefficient of multiple determination or what is more familiarly known as  $R^2$ . This can be interpreted as the percentage of variance around the mean which is explained by the model. We also present the multiple R, which is the square root of  $R^2$  and is essentially the Pearson r between the predicted values estimated by the model and the actual data values. In order to ensure that effects due to mere random variance were not included in the models, we conducted F-tests of statistical

significance for each of the individual predictors in the model. In addition, to assess the accuracy of the predictions made using these models, we determined the standard error of the estimates. This measures the average error we will experience using the models. We also present the Betas (B's) or standardised regression coefficients for the equations which have been explained in our discussion of slopes.

Durbin-Watson statistics were computed to test for autocorrelation (i.e., correlation between the values of a variable over time). It is common for social and economic time series data to be autocorrelated. This can be problematic with regression models computed with the ordinary least squares method. The coefficients of the terms in regression models using autocorrelated variables are still unbiased. However, the variance of error terms may be underestimated and the confidence intervals and tests using the T and F distributions may not be strictly applicable. In other words, a non-significant relationship may be shown to be significant if ordinary least squares calculations are used. The autocorrelation problem has the most serious consequences when we are interested in the causal or predictive power of the regression model. However, we are primarily interested in identifying differences in the periods before and after the legislation in a general way. The nature of our research objective has led us to discount the impacts of autocorrelation. Given the nature of this objective, and considering the small number of time points in our data, we have not attempted to use more elaborate solutions to address autocorrelation.

#### Analysis of Variance

In addition to regression analysis, we performed analyses of variance to test the extent to which average



advertising revenues varied between the periods before and after the legislation. The appropriate F-tests were computed to determine if the difference in values between the two periods was statistically significant. These analyses of variance were performed for both the overall industry and for the six individual periodicals.



## 4.0 INDUSTRY LEVEL ANALYSIS

### 4.1 Introduction

In this chapter we present the findings of the industry level analysis. The overall aim of this analysis was to determine, at an aggregate level, the effects of C-58. The first step was to gain a perspective of total industry performance during the periods before and after the legislative intervention. In order to effectively do so, several key variables were selected which would reflect the state of the industry. These variables, including a rationale for their selection are listed below.

1. Number of Periodicals -- Growth in the number of periodicals is an important variable and it is also one of the most visible and easy to track. It has always been the main indicator used by the industry to document the benefits of C-58. It also provides evidence with respect to the health of the industry through increased competition.
2. Circulation -- Total circulation is a crucial measure of overall growth of a periodical or the periodical publishing industry. It is associated with advertising revenues by virtue of the higher advertising rates that are commanded when there is greater circulation. Traditionally, the rate has been calculated on a cost per thousand basis (CPM) by dividing the cost of placing a standard advertisement by the circulation of the issue. From the advertisers point of view, a periodical with a wide circulation usually has the best appeal.
3. Advertising Revenues -- As the most significant indicator of the impact of Bill C-58, it is also the key determinant of the health and financial viability of the industry.

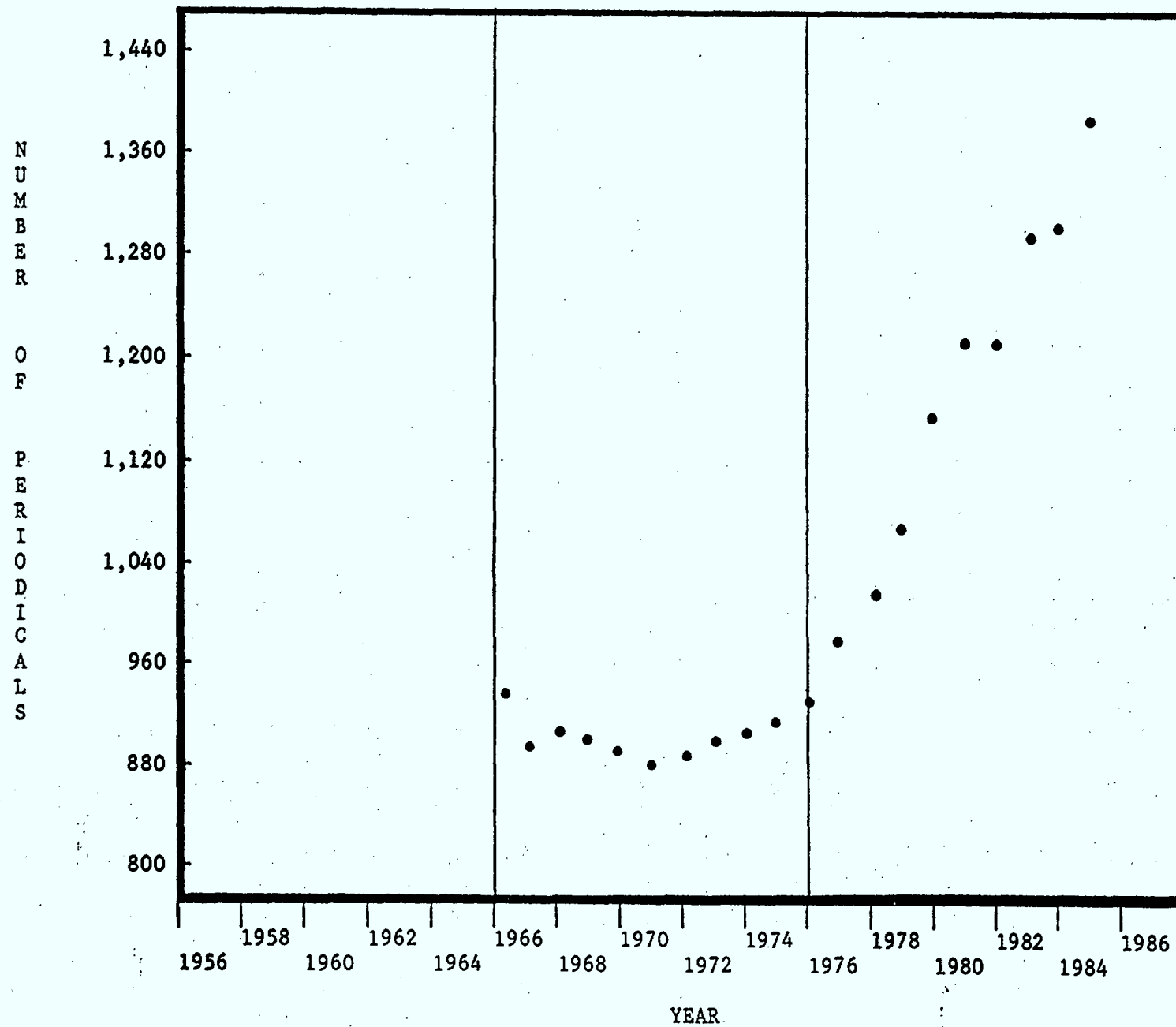
4. Advertising Market Share -- This variable is less directly related to Bill C-58 because of the large number of factors affecting advertising revenues in other media. The purpose of using this variable is to discern the relative position of periodicals in relation to other advertising media. We have not conducted an analysis of advertising revenues at large and therefore cannot comment upon overall growth. However, we can attempt to explain some of the growth in periodical advertising revenue and will look at percentage of market share as one indicator of that growth.

#### 4.2 Number of Periodicals

##### 4.2.1 Canadian Periodicals

A visual scan of this univariate plot in Exhibit 4.1 discloses a significant growth in the overall number of periodicals. The growth is pronounced in the post '75 era but commences just prior to this time. The greatest absolute increases occurred between 1976 and 1980. The graph clearly shows that the rate of growth after 1976 is very rapid, confirming what the publishing industry has been stating all along. An analysis of the growth rates for the separate categories of general, business and farm periodicals shows similar patterns. Plots of the growth rates and an analysis of the yearly percentage growth rates for these three types of publications are presented in Appendix A.1, A.2 and A.3.

EXHIBIT  
NUMBER OF PERIODICALS BY YEAR



Source: Compiled from CARD



When we look at the pattern of percentage increases, the large increases in the post-1976 period are confirmed. Exhibit 4.2 presents the percentage increases for four five-year periods from 1966 to 1985, as well as the average annual increases in numbers of periodicals. There was a significant decline from 1966 to 1970, the five year period after the original legislation was passed, and only modest average increases between 1971 and 1975. However, after 1976 the rate of growth is rapid and constant.

**EXHIBIT 4.2**  
**Average Annual Growth in Number of Periodicals**

<u>Time Period</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>
1966-1970	- 2.1	-20.3
1971-1975	+ 0.9	+ 8.2
1976-1980	+ 5.5	+50.8
1981-1985	+ 3.7	+42.8

The growth patterns for the three categories of periodicals are similar to the overall pattern for the period after 1976. General and business periodicals show sharp increases while those for farm periodicals are less rapid. There is some variation between the three categories in the period after 1966, with business periodicals showing serious losses in numbers while the other categories remained relatively stable. Exhibit 4.3 presents the average annual percentage and absolute changes in the numbers of periodicals for the general, business and farm categories.

These figures indicate that the 1966 legislation had little impact, while the legislation taking effect in 1976, which ended the favourable exemption for Time and Reader's Digest seems to have had spectacular results.

**EXHIBIT 4.3**  
**Average Annual Growth in Number of Periodicals**  
**by Periodical Type**

<u>Time Period</u>	<u>General Periodicals</u>		<u>Business Periodicals</u>		<u>Farm Periodicals</u>	
	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>
1966-1970	+1.0	+ 3.2	-3.1	-22.8	-1.1	-0.8
1971-1975	+0.8	+ 2.6	+0.8	+ 4.4	+2.2	+1.2
1976-1980	+6.2	+21.4	+5.1	+26.0	+5.7	+3.4
1981-1986	+4.1	+18.6	+3.6	+19.6	+3.4	+2.6

However, as we have said earlier, there were many other factors that may have contributed to the post-1976 growth.

**4.2.2 Comparison to U.S. Data**

To try and control for some of these factors, we have compared growth in the number of periodicals in Canada and the U.S.. Our assumption is that many of the demographic, social, technological and consumer factors were similar in the two countries and that a higher rate of growth in Canada will be evidence that C-58 had some additional impacts.

The U.S. has not experienced similar legislative intervention upon the industry, and for this reason the U.S. industry approximates a control group for the purposes of this study. The American periodical industry also experienced market fragmentation or specialisation.

Consequently, it too would have been a beneficiary of the increased targeting and the reduced cost of advertising in periodicals. Although we have assumed that the Canadian and American industries profited equally from these factors, it must be noted that the American industry was better established than the Canadian industry at the beginning of the 1970's, and therefore the Canadian industry may have had better opportunities for further growth.

The number of periodicals for both the U.S. and Canada have been calculated for the period 1970 to 1985. The two groups of figures are basically comparable in that any omission from one group (e.g., academic publications) are also excluded from the other. Any inconsistencies would not materially affect the trend that is discernible. The data are presented in Exhibit 4.4.

The rate of growth in Canada's periodical industry was more than double that of the U.S. periodical industry. Furthermore, most of the difference in the rates of growth occurs in the post 1976 period, as the increases in numbers of publications before 1976 are modest for both countries.

Two brief levelling off periods were experienced in Canada and the U.S. in the early 80's (i.e., 1981-82 and 1983-84). These attest to the impact that the recession had upon the periodical industry. This important relationship will be discussed further in subsequent sections.

#### **4.3        Circulation**

Like the number of periodicals, total circulation is one of the fundamental indicators of the state of the industry. For individual periodicals, circulation is connected to advertising revenues through the rate that is commanded when there is greater circulation. Stated simply, the more periodicals are read, the greater the premium paid by advertisers to advertise in them.

**EXHIBIT 4.4**  
**Comparison of Number of U.S. and Canadian Periodicals**  
**For 1970 - 1985**

<u>Year</u>		<u>U.S. Index</u> <u>(1972=100)</u>		<u>CDN Index</u> <u>(1971=100)</u>
1970	9,573	105.63	876	101.03
1971	9,657	106.57	867	100.00
1972	9,062	100.00	873	100.69
1973	9,630	106.27	891	102.77
1974	9,755	107.65	896	103.34
1975	9,657	106.57	917	105.76
1976	9,872	108.94	928	107.03
1977	9,732	107.39	993	114.53
1978	9,582	105.74	1,023	117.99
1979	9,719	107.25	1,091	125.84
1980	10,236	112.96	1,171	135.06
1981	10,873	119.98	1,237	142.68
1982	10,688	117.94	1,237	142.68
1983	10,952	120.86	1,308	150.87
1984	10,809	119.28	1,313	151.44
1985	11,090	122.38	1,385	159.75

**Sources:** U.S. = Magazine Publishers Association  
Canadian = C.A.R.D.

Our analysis of circulation is based on data compiled from CARD for general or consumer periodicals only. For verification, we also compared the CARD circulation data with data for Canadian periodicals compiled by ABC. We examined the rate of growth from 1966 to 1984, paying particular attention to the rates before and after 1976. Because circulation is directly linked to the number of available readers, we also compared the rates of circulation and population growth. Circulation growth rates above the rates of population growth could then be taken as evidence concerning the effects of Bill C-58. This type of analysis can only provide information about the general trends. This is because we have only compared circulation growth to population change and not to the actual number of readers, and also because we have not tried to simultaneously control for other factors. Despite these limitations, the measure is very important and the increases are of sufficient magnitude to be able to establish trends.

The graph for the growth in circulation of general and consumer periodicals is presented in Exhibit 4.5. (Comparative figures for major Canadian periodicals from ABC are presented in Exhibit 4.6.) It shows that a period of rapid growth began in 1970 and did not end until 1981. The average annual increases for five year periods presented in Exhibit 4.7.A show that the largest increases by far occurred during the period prior to the legislation in 1970-1975.

Although there are some significant differences, the population growth increases presented in Exhibit 4.7.B are relatively even in comparison to the periodical circulation increases. Circulation growth rates surpass population growth by a wide margin with the exception of the 1981-1986 period when average annual increases are equally small (i.e., approximately one per cent). The net rates of circulation growth are presented in Exhibit 4.7.C.

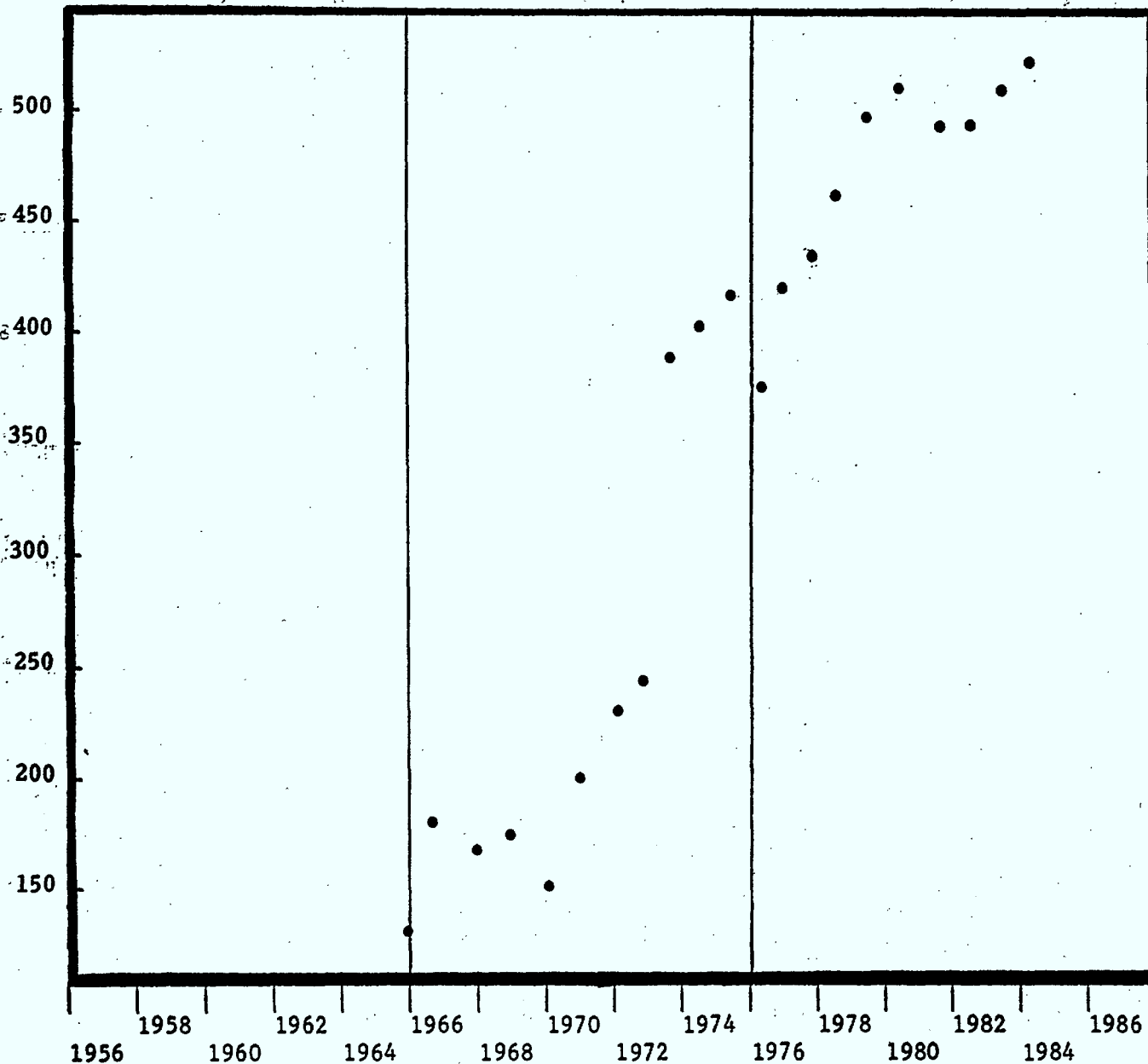


# EXHIBIT 4.5

## TOTAL CIRCULATION FOR GENERAL PERIODICALS BY YEAR

IN  
MILLIONS  
OF  
DOLLARS

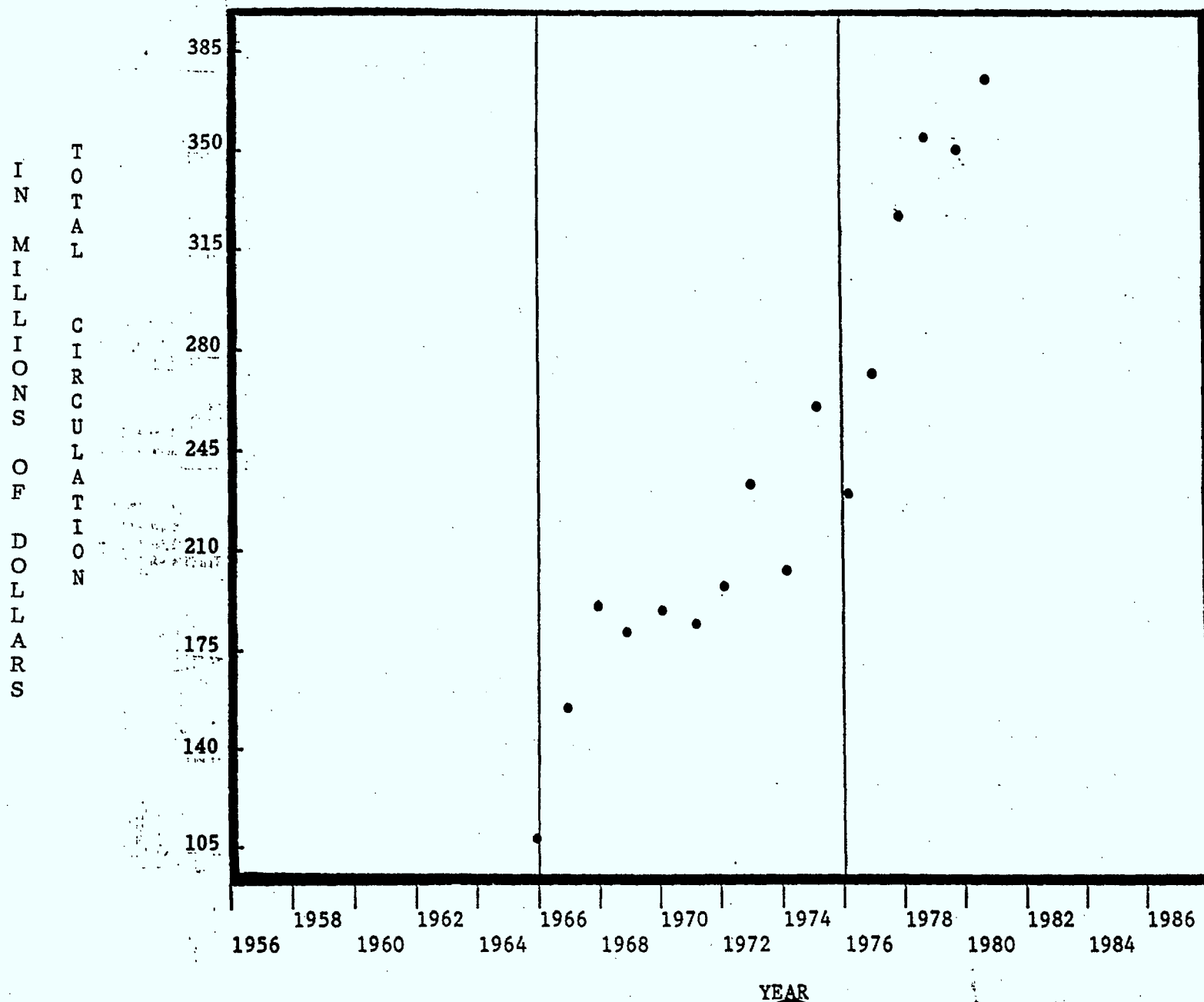
TOTAL  
CIRCULATION



Source: Compiled from CARD publications. YEAR

# EXHIBIT 4.6

## TOTAL CIRCULATION FOR GENERAL PERIODICALS BY YEAR



Source: Audit Bureau of Circulation (major Canadian Publications only).

**EXHIBIT 4.7.A**  
**Average Annual Increase in Circulation of General Periodicals<sup>1</sup>**

	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase</u>
1967-1970	7.4	8,139,620
1971-1975	28.1	47,754,460
1976-1980	4.6	18,932,810
1981-1986	1.3	6,246,034

**EXHIBIT 4.7.B**  
**Population Growth from 1966-1986<sup>2</sup>**

	<u>Average Annual Percentage Growth</u>	<u>Population Average Annual Increase</u>
1966-1970	+ 1.7	+ 330,600
1971-1975	+ 1.3	+ 280,000
1976-1980	+ 1.2	+ 269,000
1981-1986	+ 1.1	+ 263,200

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<sup>1</sup> Source: Compiled from CARD publications

<sup>2</sup> Source: Statistics Canada.

**EXHIBIT 4.7.C**  
**Comparison of Average Annual Percentage**  
**Growth for Circulation and Population**

	<u>Circulation</u>	<u>Population</u>	<u>Net Circulation Growth Difference</u>
1966-1970	7.4	1.7	5.7
1971-1975	28.1	1.3	26.8
1976-1980	4.6	1.2	3.4
1981-1986	1.3	1.1	0.2

The effects that C-58 may have had upon circulation are not directly evident. The most significant increases in circulation occurred in the pre-1976 period. Annual growth rates in population were declining throughout the 20 year period. When these growth rates are compared with those of circulation, the phenomenal growth in circulation that occurred in the early 70's is apparent. However, by the early 80's the growth in circulation had levelled off and was more in line with that of the population.

Given the nature of the trend of circulation data, it is apparent that Bill C-58 did not initiate the take-off in periodical circulation. Instead, the growth patterns seem to reinforce the notion that periodicals had commenced their accelerated growth in the early 70's. It should be remembered that C-58 was not designed to increase readership. Our analysis of this relationship is based on the assumption that readership is an indicator of growth in the periodical industry and that a positive association with C-58 would be indirect positive evidence for the effects of C-58.

One further caution should be noted. The circulation statistics examined are for all general and consumer periodicals. During the 1970's there were a number of new controlled circulation publications (not all of which are in CARD) that resulted in large increases in the circulation statistics. That the industry as a whole had major circulation increases in the early 1970's does not necessarily mean that C-58 had beneficial effects on individual subscriber publications. This will be examined in the following section.

#### **4.4 Advertising Revenues**

In this section we present the results of the analysis of advertising revenue, beginning with an overview of advertising revenue for all media. Periodical advertising revenue is then viewed within this larger context. A comparison is also made of relative growth in advertising revenues for the various periodical types (i.e., business, farm and general).

Advertising revenue is the most direct indicator of the impacts of C-58 and is a key measure of the health and state of the periodical industry. In fact, the growth in advertising revenues in the latter part of the 1970's was remarkable. To determine the extent to which this growth can be attributed to C-58 is the objective for analysis. There are a number of ways in which this can be achieved. First, other significant contributing factors must be identified and examined for their effects. Secondly, tests with statistical controls can be utilised.

Listed below are a number of other factors that had the potential to contribute to the acceleration of revenues:

1. increased advertising for all media;
2. increases in the advertising rates;
3. increases in the number of advertising pages;
4. increases in the total market share of periodicals for advertising; and
5. changes in accounting policies, including the use of more aggressive revenue recognition practices.

Increased advertising can be caused by many factors related to general economic viability such as:

- a greater number of companies that advertise in periodicals;
- improved financial performance (e.g., higher sales and/or profits) enabling greater investments in advertising;
- a general increase in economic activities (e.g., growth in GNP);
- growth and financial health in various industry sectors (consumer durables);
- improved marketing skills within companies; and
- increases in personal disposable income.

Evidence suggests that virtually all of these factors were increasing throughout the period under study. Advertising rates increased significantly and the percentage of the advertising market share of periodicals underwent growth in both absolute and relative terms.

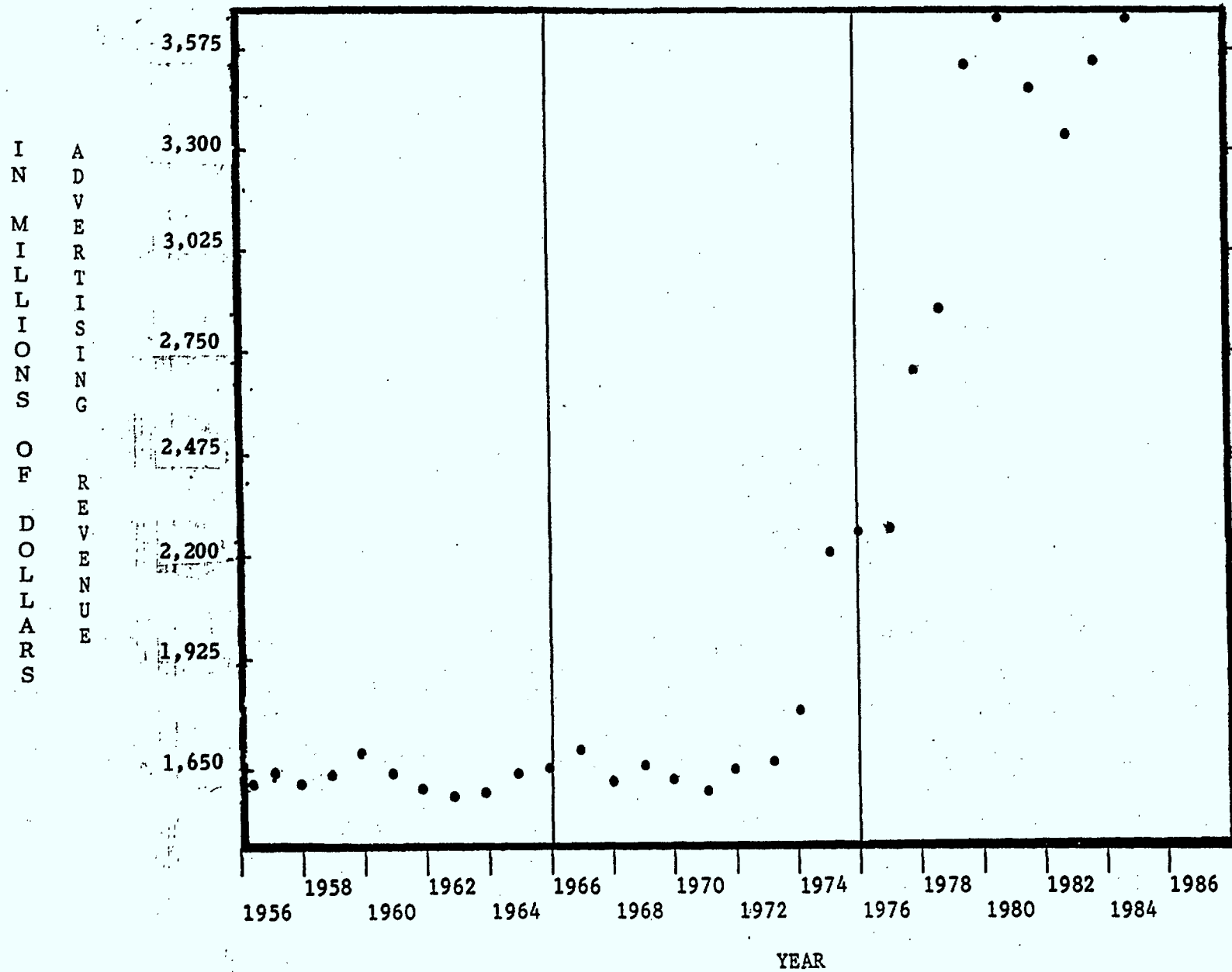
We do not have sufficient information to determine whether or not accounting practices had any impact upon advertising revenues. While keeping these factors in mind, we present an overview of total advertising revenues.

#### **4.4.1 Advertising Revenues for All Media**

The growth in advertising revenues for all media from 1956-1985 is graphically presented in Exhibit 4.8.



EXHIBIT 4.  
ADVERTISING REVENUE BY YEAR 1981 DOLLARS



Source: Maclean Hunter Research Bureau.

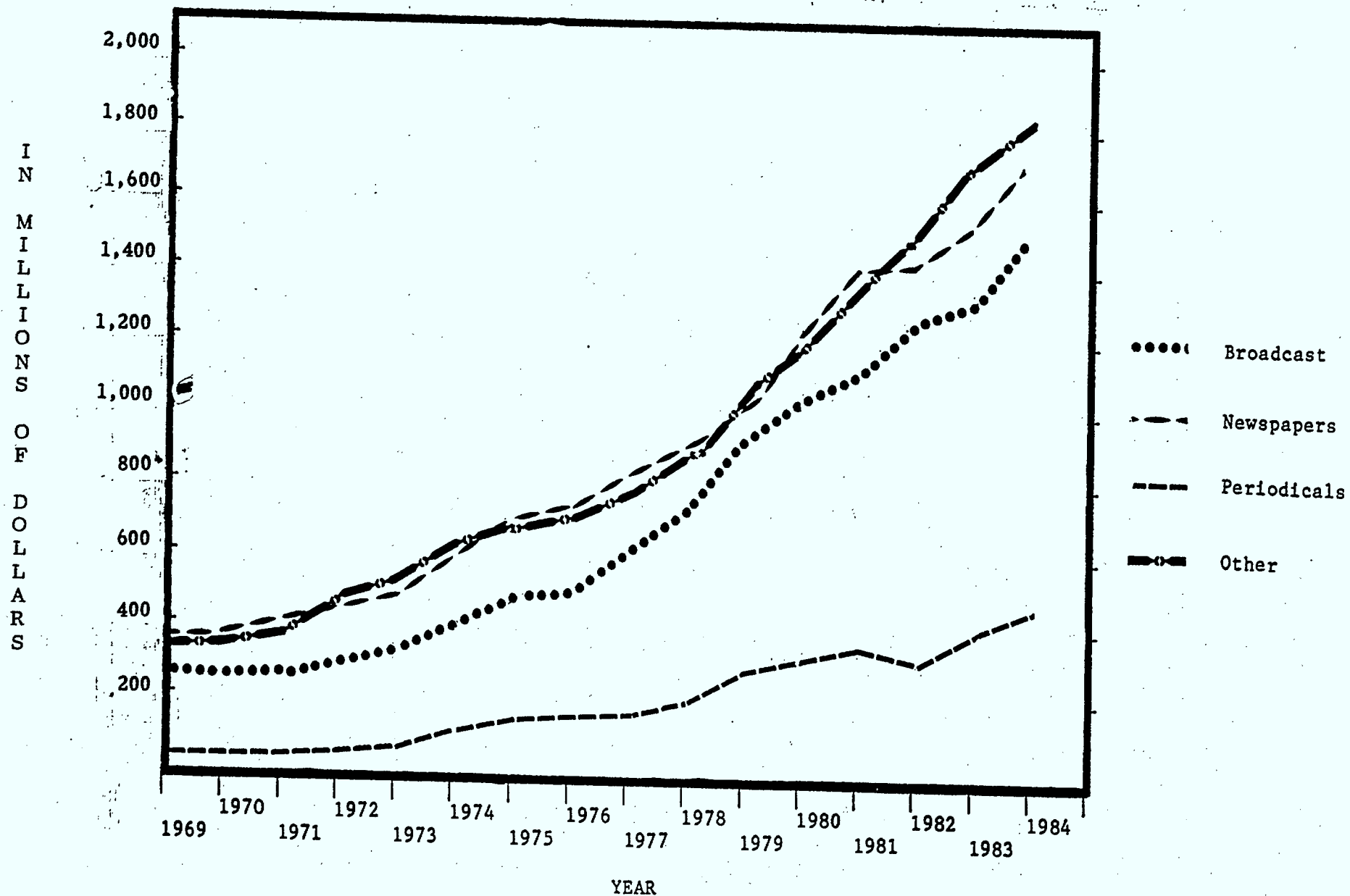
These totals are comprised of five broad categories of media. These categories include: newspapers (e.g., dailies, weekend supplements and weeklies), broadcast (i.e., radio and television), periodicals, other print media (e.g., directories, catalogues) and outdoor media (e.g., billboards, signs). Total advertising revenues display sharp increases beginning in 1974. Decline does not occur until the early 80's, and the onset of the recession.

The comparative advertising revenues for four types of media (i.e., excluding outdoor media) are presented in Exhibit 4.9.A. (The revenues for all media are presented in Exhibit 4.9.B.) Two things of interest are apparent from the first graph. The first is that periodicals did not benefit from new advertising revenues after 1976 more than other media. In fact, the broadcast media, the major beneficiaries of the 1976 legislation, show the greatest rate of increase from 1976 to 1980. The second is that periodical advertising was affected more than other media by the recession. This vulnerability to economic conditions is very important and should not be overlooked in drawing conclusions about the performance of the industry.

The rapid rates of acceleration in advertising revenues for periodicals during the 1970's are confirmed by the figures presented in Exhibit 4.10. It is important to note that although the annual percentage rate increases for the 1971-1975 and 1976-1980 periods are similar, the actual dollar increases are much higher in the period following the C-58 legislation.

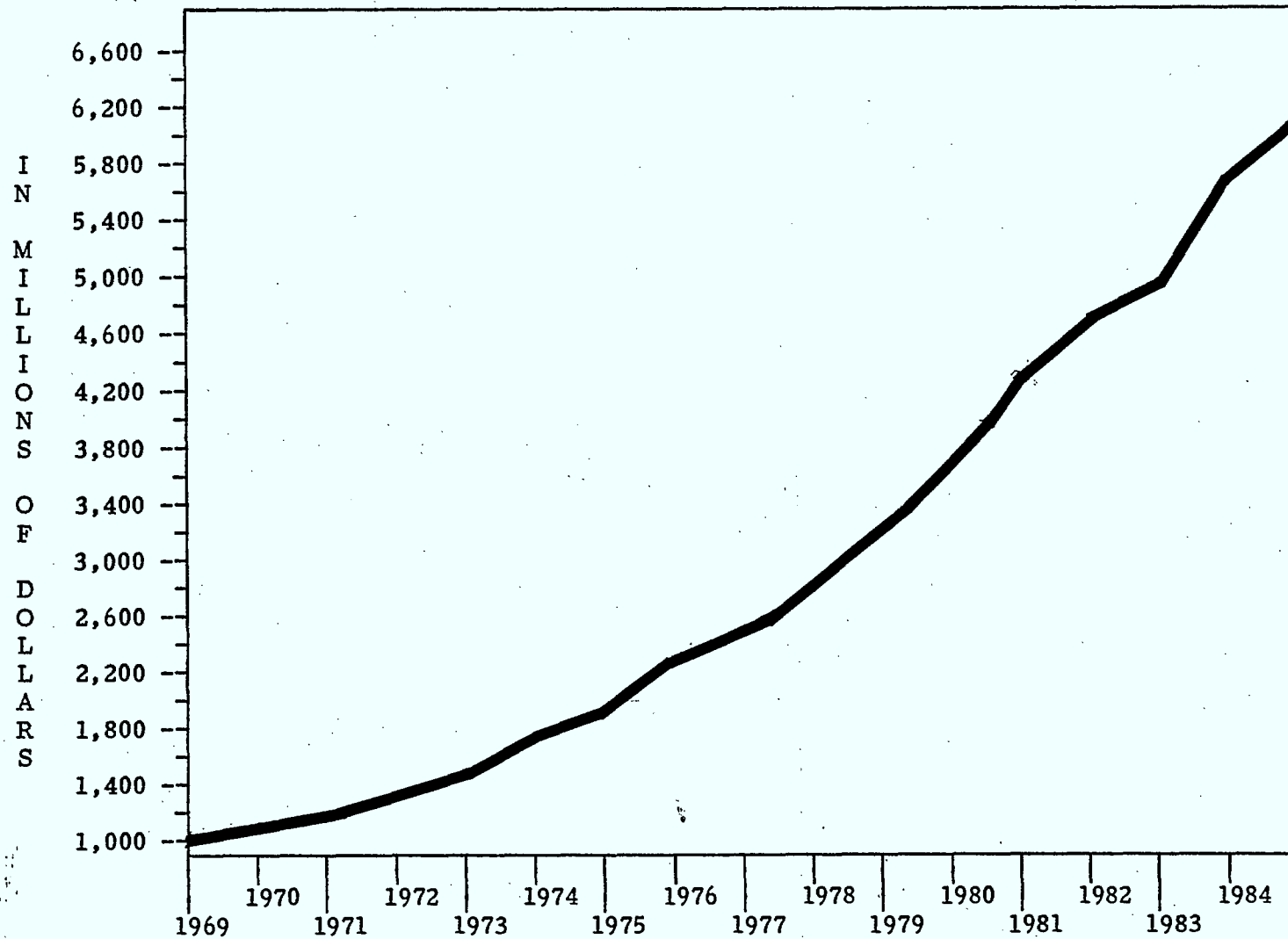
An examination of advertising revenue growth for the three periodical types reveals some variation in the patterns. The results of this analysis are presented in Exhibit 4.11. Generally, business and farm periodicals all experienced the greatest average dollar increases in adver-

# EXHIBIT 4 ADVERTISING REVENUE BY MEDIA 1969-1984



All figures are expressed in constant 1981 dollars.

EXHIBIT 4.9.B  
TOTAL ADVERTISING REVENUES FOR ALL MEDIA 1969-1984



All figures are expressed in constant 1981 dollars.

**EXHIBIT 4.10**  
**Average Annual Growth in Advertising Revenues**  
**- All Periodicals -**

<u>Time Period</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Dollar Increase*</u>
1957-1960	+ 1.8	+ 3,548,000
1961-1965	- 0.3	- 481,000
1966-1970	- 0.6	- 1,009,000
1971-1975	+10.0	+15,383,000
1976-1980	+11.4	+26,254,000
1981-1985	+ 0.6	+ 2,040,000

\* 1981 dollars

**EXHIBIT 4.11**  
**Average Annual Growth in Advertising Revenues**  
**by Periodical Type**

<u>Time Period</u>	<u>General Periodicals</u>		<u>Business Periodicals</u>		<u>Farm Periodicals</u>	
	<u>Average Annual Percentage Increase</u>	<u>Average Annual Dollar Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Dollar Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Dollar Increase</u>
1957-1960	+ 2.0	+ 1,227,000	+ 3.7	+ 2,653,000	-1.2	- 266,000
1961-1965	- 2.7	- 1,837,000	+ 1.4	+ 1,199,000	-7.9	-1,614,000
1966-1970	+ 2.1	+ 1,205,000	- 2.9	- 2,578,000	+2.9	+ 363,000
1971-1975	+18.0	+11,485,000	+ 5.3	+ 3,965,000	-0.5	- 68,000
1976-1980	+11.0	+13,305,000	+10.7	+10,155,000	+5.7	+ 799,000
1981-1986	+ 0.8	+ 1,438,000	+ 0.3	+ 411,000	+1.1	-192,000

\* 1981 Dollars

tising revenues from 1976-1980. For business and farm publications, this period far exceeds any other for advertising revenue growth. General periodicals show a slight decline after 1976 from the rate of growth experienced during the early 1970's. However, the percentage change should not mask the substantial increases in dollar terms occurring after the implementation of the legislation.

#### **4.4.2 Comparison to Economic Indicators**

So far, we have only briefly mentioned the relationship between periodical advertising revenues and general economic conditions. Specifically, we noted that periodical revenues decreased at the time of the recession. Because of the apparent relationship displayed between advertising revenues and general economic conditions, three major economic indicators were selected to test for this relationship in more detail.

The indicators are Gross National Product (GNP), corporate profits, and personal disposable income. GNP offers a good overall look at economic growth. Corporate profits serve as a good leading indicator of the economy, that is, they turn in advance of the economy as a whole, and thus serve as a signal of what is to come. Corporate profits are also significant in that it is the corporations who incur the advertising expenses. Although the decision to advertise is distinct from the choice of media to advertise in, the behaviour of corporate profits is indicative of the resources that are available for advertising. We should note that we view corporate profits as a proxy for economic activities (i.e., higher corporate profits are assumed to be directly related to the volume of business). Advertising expenditures will tend to be a fixed percentage of business activity, or the anticipated activity.



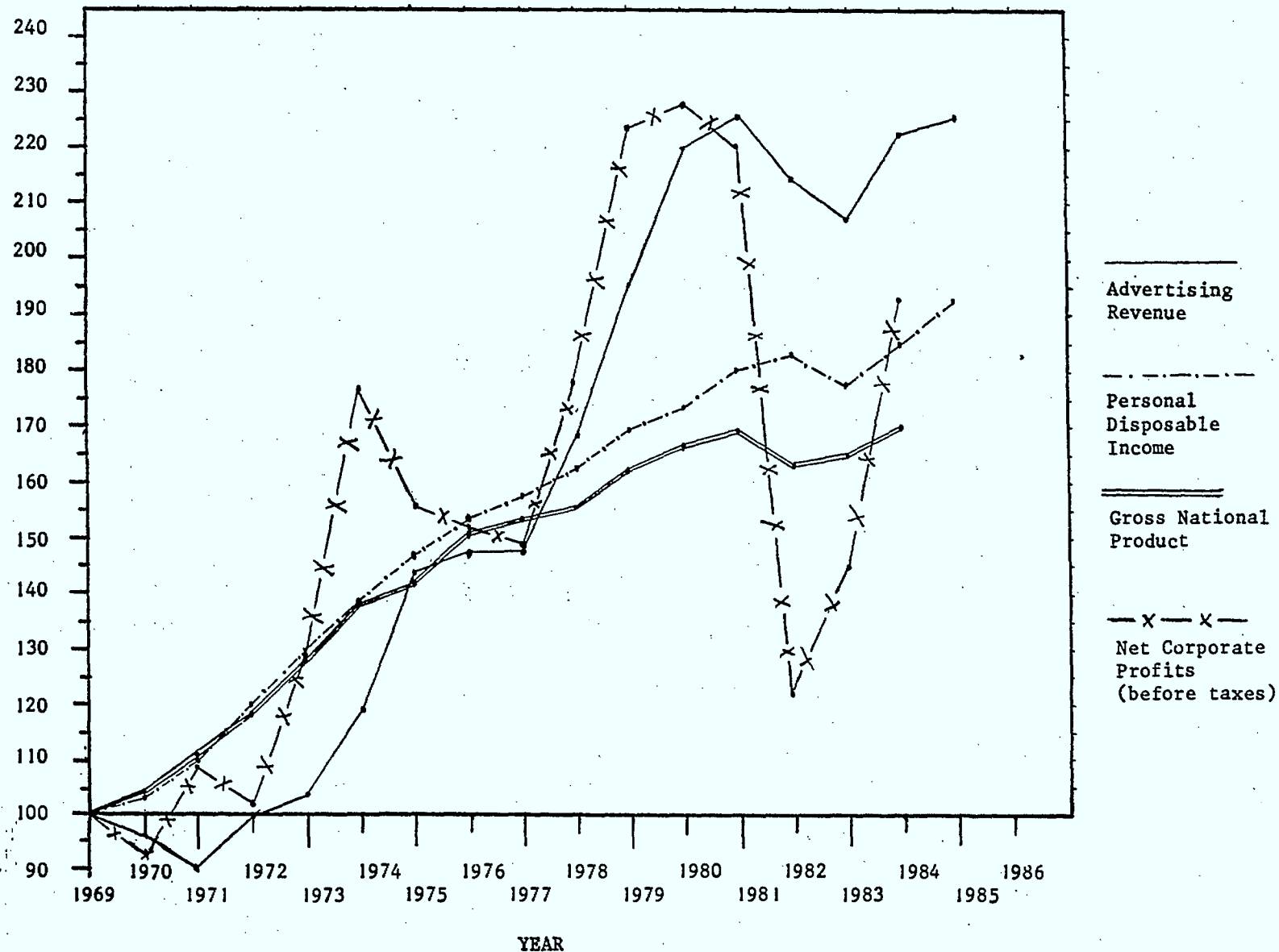
The other economic indicator that we have considered is personal disposable income. Higher personal disposable income will certainly increase the general demand for goods and services. We have assumed that any increases in personal disposable income would also favour consumption of periodicals. In fact, such increases in personal disposable income would increase the supply as well as the demand for periodicals. Higher incomes will result in higher advertising and more periodicals to carry the advertising.

A graphic comparison of the performance of these four variables from 1969 to 1985 is presented in Exhibit 4.12. Because of the large differences in the actual dollars between the indicators, change is presented in percentage terms with the base year (1969) being standardised to 100 for all four measures. A table presenting the actual dollars is presented in Appendix I.

The graph shows that periodical advertising revenues increased at a much faster rate than the economy as a whole (i.e., GNP) or personal disposable income after 1976. From 1976 to 1980, advertising revenues increased in virtually the same manner as net corporate profits. Between 1980 and 1982 all four indicators reflect declines of different magnitudes, that correspond to the general economic recession of that time. For periodical advertising revenues, and particularly for net corporate profits, the rate of decline is quite steep.

When a comparison is made between average annual percentage increases in advertising revenue and GNP, we again note that growth in revenues exceeded growth in GNP throughout the 1970's. Exhibit 4.13 presents these comparative figures for five year periods from 1955 to 1985. The growth in advertising revenues during both the pre- and post-C-58 periods is interesting with respect to its relationship to gross national product. For instance, in

**EXHIBIT 4.12**  
**COMPARATIVE GROWTH IN PERIODICAL ADVERTISING**  
**REVENUES AND KEY ECONOMIC INDICATORS**



**Note:** Advertising revenues are presented as a percentage of 1976 revenues. All figures were standardized to 1981 dollars prior to percentage calculations.

**Source:** Statistics Canada and Maclean-Hunter Research Bureau.

the absence of any legislative intervention such as C-58, we might expect that advertising revenues would keep pace with general economic growth. However, periodical advertising revenues were showing a decline during the 1960's in spite of good overall economic growth. Conversely, growth in advertising revenues outpaced that of the economy in the 1970's. The extent to which revenues outgrew GNP in these years is significant. Even though the higher growth for advertising revenues occurs between 1971-1975, the rate of growth is even higher for the latter half of the decade, suggesting that the incremental growth can be at least partially attributed to the effect of Bill C-58.

**EXHIBIT 4.13**  
**Average Annual Percentage Growth**

	<u>Periodical Advertising Revenues</u>	<u>GNP</u>	<u>Difference</u>
1955 - 1960	1.8	2.0	-0.2
1961 - 1965	-0.3	6.7	-7.0
1966 - 1970	-0.6	5.7	-6.3
1971 - 1975	10.0	7.0	3.0
1976 - 1980	11.4	3.7	7.7
1981 - 1986	0.6	0.6	0.0

The preceding figures show that the rate of growth in periodical advertising revenues was faster than overall economic growth throughout the 1970's, and in particular from 1976 to 1980. We have also analysed the comparative growth of advertising revenues for all media. Our assumption has been that faster rates of growth for periodical advertising revenues than for advertising revenues for all media would provide some evidence of the positive effects of C-58. In other words, if periodicals

were increasing their market share, than C-58 may have contributed to this increase. Exhibit 4.14 presents the comparative growth rates for advertising revenues for periodicals, for all media, and for GNP. A more detailed discussion of the change in advertising market share for periodicals is included in the next section.

**EXHIBIT 4.14**  
**Comparative Growth Rates for Advertising Revenues and GNP:**  
**1969-1985\***

<u>Year</u>	<u>Advertising Revenues: All Media</u>	<u>Advertising Revenues: Periodicals</u>	<u>GNP</u>
1985	188.2	227.8	NA
1984	178.8	224.3	167.0
1983	166.3	208.7	162.6
1982	165.9	215.0	160.6
1981	169.5	227.0	166.0
1980	165.6	221.0	163.5
1979	156.1	187.4	161.4
1978	147.8	168.9	153.5
1977	141.6	148.4	151.2
1976	139.6	148.2	149.0
1975	129.6	145.4	135.4
1974	127.5	119.3	136.5
1973	121.6	100.4	126.8
1972	115.3	100.1	116.3
1971	100.6	99.9	109.3
1970	100.0	100.5	102.1
1969	100.0	100.0	100.0

\* Growth rates were calculated as percentage changes using 1969 as the base year with an assigned value of 100.

Exhibit 4.14 shows that the growth in periodical advertising revenues was much more rapid than advertising revenue growth for all media between 1976 and 1980. The overall rate of growth is also faster, but not to the same extent as during this period. The preceeding two exhibits demonstrate that the periodical publishing industry was benefiting from both a higher rate of growth than the economy as a whole and an increase in advertising market share during the first five year period following the C-58 legislation.

#### 4.5 Advertising Market Share

Advertising market share reflects the relative advantage or positioning of one form of advertising medium over another. Often growth in one medium can be attributed to a decrease in another. The analysis of media advertising revenues is based on data and reports from the Maclean-Hunter Research Bureau (which are in turn based on estimates derived from industry data). These data include both overall totals and breakdowns for the five media categories discussed earlier (i.e., broadcast, newspapers, periodicals, other print and outdoor media). Exhibit 4.15 plots the per cent market share held by periodicals from 1956 to 1985.

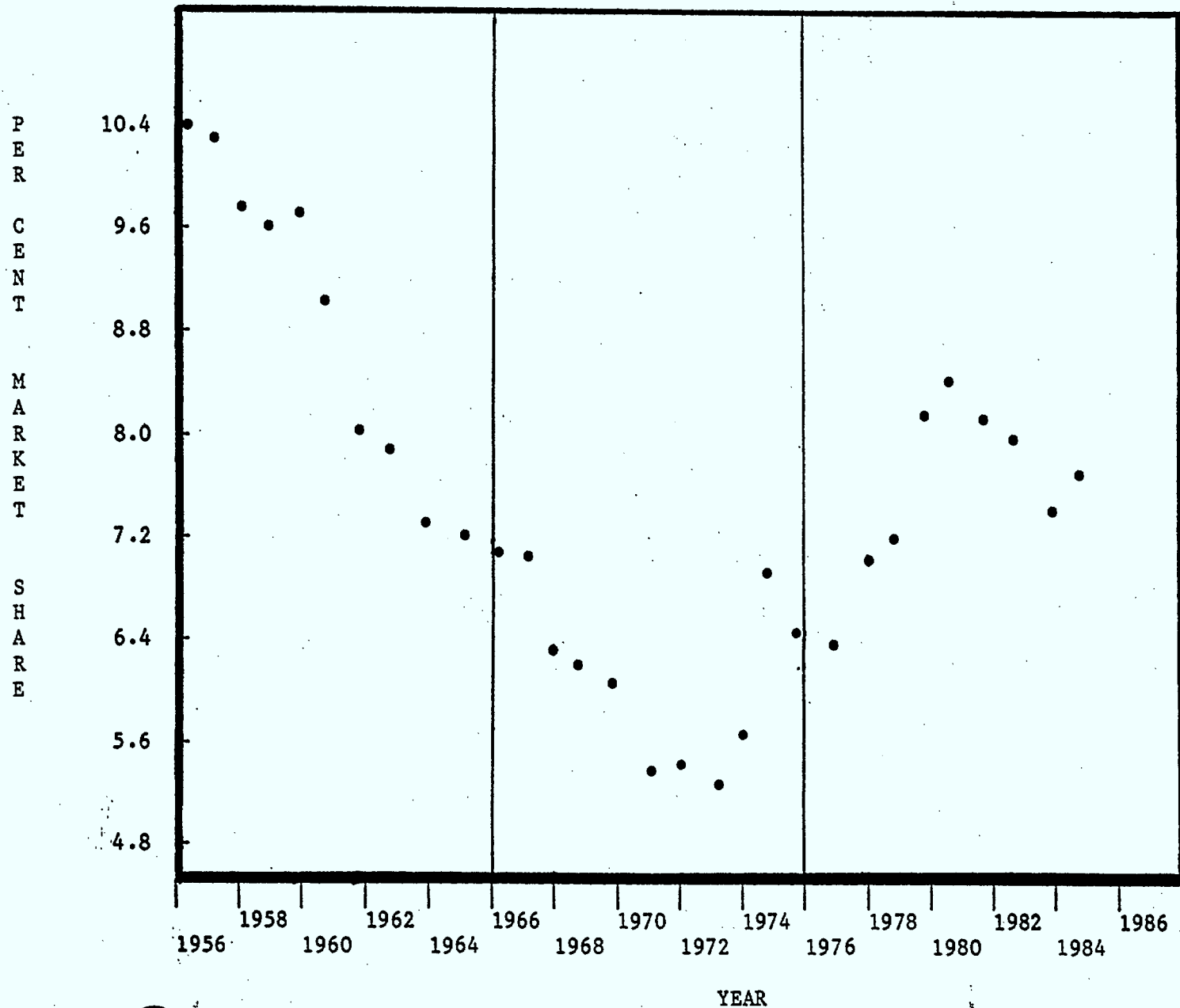
There was a decline in the market share for all magazines from 1956 until the 1970's when the pattern reverses and there was a substantial increase. The average annual changes (in both percentage and proportionate terms) in market share are presented in Exhibit 4.16.

Although the average annual percentage change begins to increase in the period just before the legislation, the ten year period subsequent to the legislation has been one of much better growth than the 20 years prior to it. The analysis of change presented in Appendix B.4 reinforces the concept of post '76 growth, and is especially predominant for general magazines. This expansion in the periodicals market share prior to Bill C-58, reinforces some of the other evidence gathered so far. All of the variables examined showed growth occurring prior to C-58.

The purpose of looking at market share was to determine the relative growth of periodicals in relation to other advertising media. Although Bill C-58 would not have had a direct impact on market share, it is nonetheless

# EXHIBIT 4.15

PER CENT ADVERTISING MARKET SHARE FOR MAGAZINES BY YEAR - All Periodicals





**EXHIBIT 4.16**  
**Average Annual Growth in Market Share of Advertising**  
**Revenues**  
**- All Periodicals -**

<u>Time Period</u>	<u>Average Annual Proportionate Change</u>	<u>Average Annual Percentage Change in Market Share</u>
1957-1960	- 1.3	- 0.18
1961-1965	- 3.7	- 0.36
1966-1970	- 2.7	- 0.20
1971-1975	+ 3.3	+ 0.20
1976-1980	+ 3.4	+ 0.24
1981-1985	- 1.5	- 0.12

interesting to note the trends that were occurring. Growth in market share commenced in the early 1970's, corresponding to the other forms of growth in the periodical industry occurring at that time. In addition, the market share for periodicals decreased at the time of the recession reflecting a greater sensitivity to economic effects than other forms of advertising.



## 5.0 INDIVIDUAL PERIODICALS

### 5.1 Introduction

In this chapter we present the results of the individual periodical analysis. We have chosen to structure this chapter around the discussions of each of the periodicals selected for analysis. The six periodicals are:

- o Time
- o Reader's Digest
- o Maclean's
- o Canadian Geographic
- o Saturday Night
- o Chatelaine

Due to the nature of the time series data available for individual periodicals, our analysis and discussion is restricted to advertising revenues and circulation. The objective of the periodical level analysis was the same as for the analysis of the industry as a whole; to determine differences in patterns in the periods before and after 1976. In addition to plotting the two key variables and calculating the slopes (i.e., rates of change), regression analyses were conducted for each periodical in a manner similar to the industry level analysis.

The data for circulation is based on information from audited statements presented in CARD. Information on advertising revenues for the individual periodicals was derived from Magazines Canada. The method employed by Magazines Canada was a gross rate method by which total advertising revenues were estimated. The advertising rate used was based on a standard four color full page of advertising. As a result this method may tend to overestimate the revenues because adjustments for volume advertisers are made only by estimate. The extent of

error in the estimation process is not precisely quantifiable since we do not have information on the proportions of large and small advertisers or on full and partial page advertisements. We have assumed that any bias introduced by these estimation procedures was consistent from year to year.

## 5.2 Time

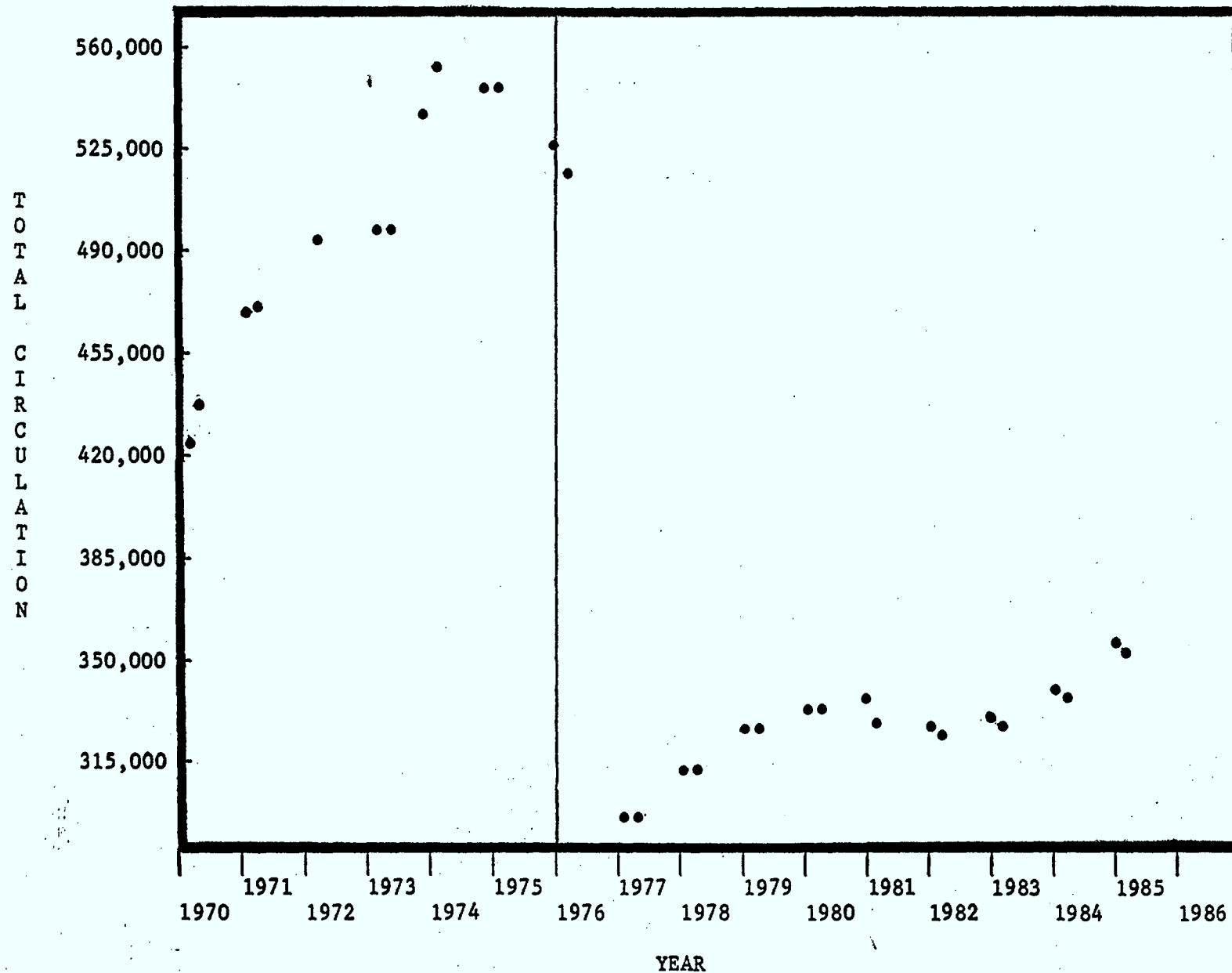
Time magazine was the major immediate loser from the 1976 C-58 legislation. Exempted from the 1966 legislation because it was printed in Canada, Time benefited from high advertising revenues and had a large circulation with virtually no competition. It was the only quality weekly news periodical of consequence in Canada at that time.

In the period immediately following the enactment of Bill C-58, Time's gross advertising revenues declined by over \$11 million or 65 per cent. Between 1975 and 1977 the total circulation also declined by 43 per cent. These changes are presented in Exhibits 5.1 and 5.2.

Because of this rapid drop in performance, Time was forced to eliminate its Canadian section. Advertising rates were cut in half in the hope of recapturing lost revenues. Time continued to print in Canada with all its editorial content imported from the U.S.. Because it was printed and mailed in Canada however, it circumvented the customs requirement that prohibited imported periodicals from containing more than five per cent advertising aimed at the Canadian market.

It is readily apparent from a look at the two plots for circulation and advertising revenue over time that all of the other statistical tests for the effects of the intervention will yield significant results. The significance of the difference between the slopes of the changes in the pre and post 1976 periods (Appendix F.1), the significance of the intervention term in the regression analysis (Appendix G.1), and the analysis of variance tests (Appendix H) all provide further statistical evidence for the obvious changes in the fortunes of Time in Canada.

EXHIBIT 5.1  
TIME -- TOTAL PER ISSUE CIRCULATION

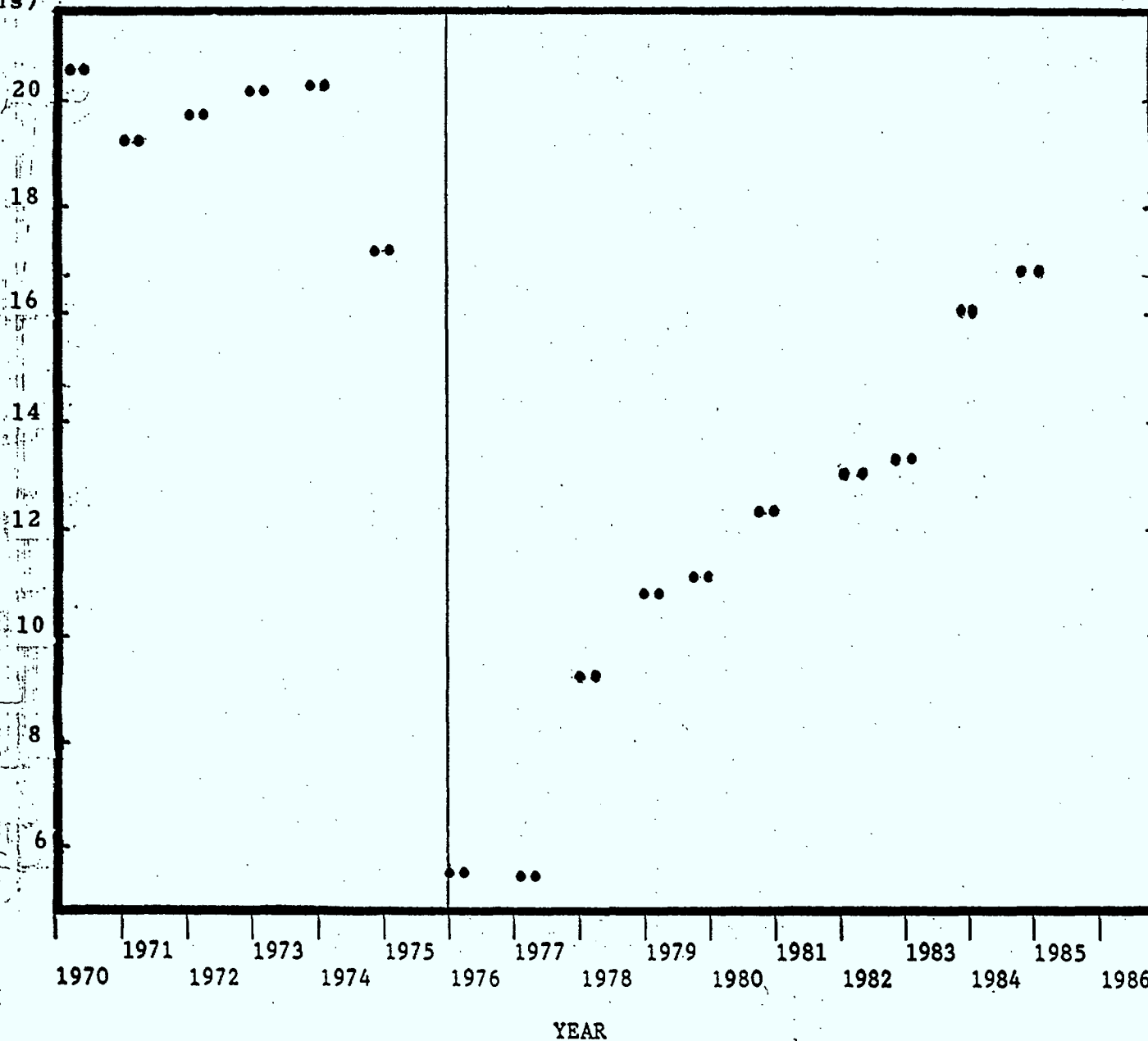


Source: CARD

EXHIBIT 5.2  
TIME -- ANNUAL ADVERTISING REVENUE (in 1981 Dollars)

(in \$millions)

A  
D  
V  
E  
R  
T  
I  
S  
I  
N  
G  
  
R  
E  
V  
E  
N  
U  
E



Source: Magazines Canada

Despite the dramatic decreases suffered by Time in 1976 however, Exhibits 5.1 and 5.2 show that there were steady increases in circulation and advertising revenues after 1978. Time's decline was only temporary in nature and the data reveals a strong comeback in recent years. On the strength of this data it appears that Time has performed well in the post C-58 period after an initial negative shock. Perhaps this rebound reflects Time's growth in an expanding market.

#### 5.2.1 Time Magazine and Compliance with C-58

Although the issue of compliance with the C-58 legislation has been of direct concern to our study, it is very relevant to a discussion of the case of Time. Time is very popular in Canada, as the circulation figures show, and it is an advertising vehicle used widely by Canadians. There have been some comments from Canadian publishers suggesting that Time has been successful in circumventing the effects of C-58 because of non-compliance by Canadian advertisers. Time continues to be a non-Canadian magazine commanding Canadian advertising revenues and one only has to peruse a recent issue of Time magazine to realise the extent to which Canadian advertising is evident.

Canadian governments and non-profit organisations regularly advertise in Time and these organisations do not pay taxes. In practice they are certainly not violating any of the conditions of C-58, which was targeted at commercial advertisers. However, their use of Time as an advertising vehicle circumvents the intent of the legislation, which was designed to make it more expensive to advertise in foreign periodicals. By not respecting the regulations (or the intent of the regulations) governments and non-government organisations are diluting its effects. For the federal government especially there is an implicit contradiction that sets a bad example for the industry given the need for voluntary compliance with C-58.



### 5.3 Reader's Digest

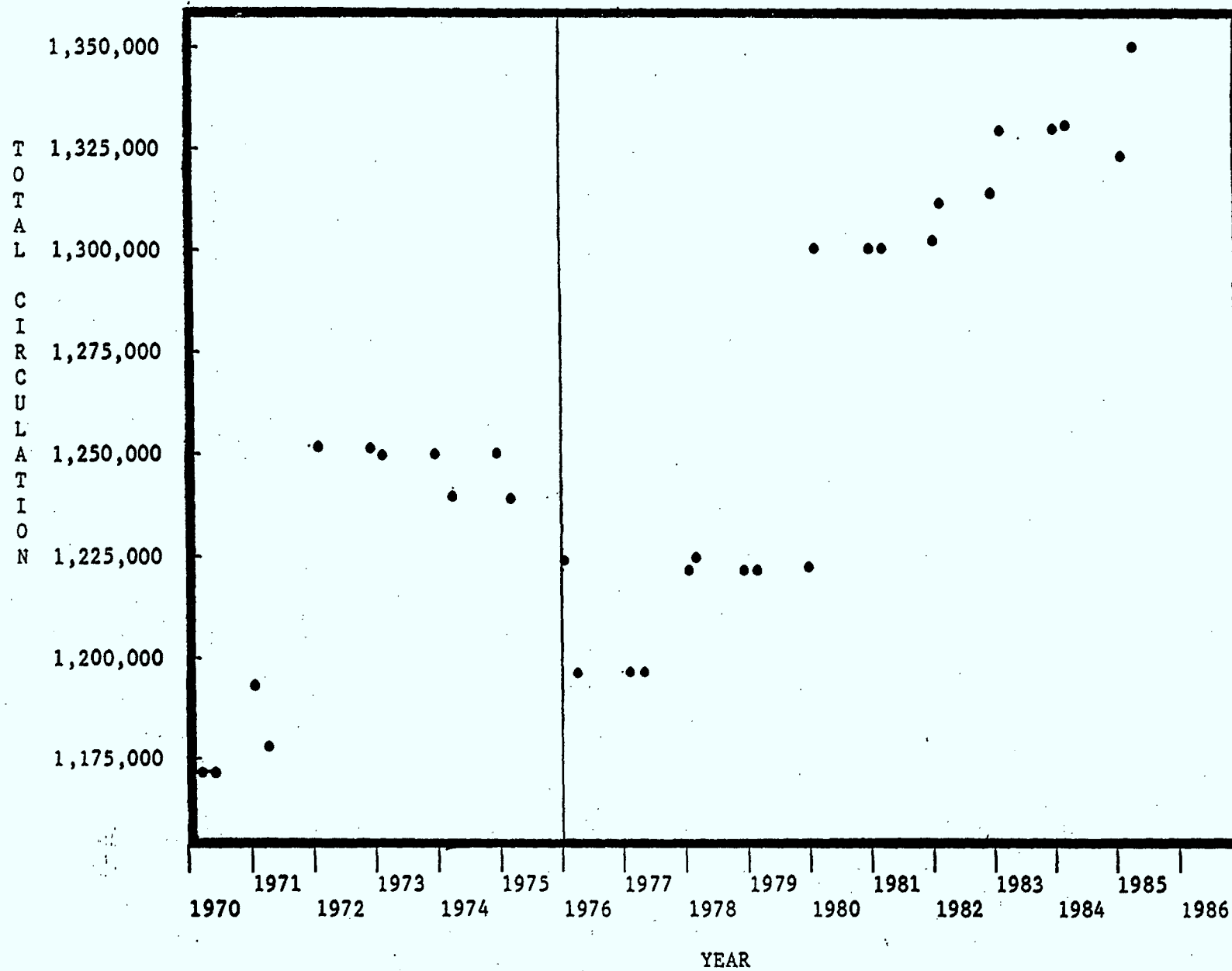
The pattern displayed by Reader's Digest is markedly different from Time's. One would expect that the decline for Reader's Digest would have been as precipitous as it was for Time. However, it is interesting to note that advertising revenues and circulation for Reader's Digest appear to have fluctuated much more than was the case with Time.

To begin with, both circulation and advertising revenues for Reader's Digest were declining slightly for several years prior to 1976. However, Exhibit 5.3 shows that 1976 marked the beginning of ten years of circulation increases. Exhibit 5.4 shows sharp increases in advertising revenues at the beginning of this ten year post legislation period, followed by steady declines during the five years beginning in 1981.

The post legislation growth in total circulation experienced by Reader's Digest can be attributed to increases in subscription volume as opposed to single copy sales. An examination of the rates of change (i.e., slopes) of both total circulation and advertising revenues for the pre and post legislation periods does not reveal statistically significant patterns (see Appendix F.2). Similarly, none of the independent variables used in the regression model were reliable predictors of changes in Reader's Digest advertising revenues.

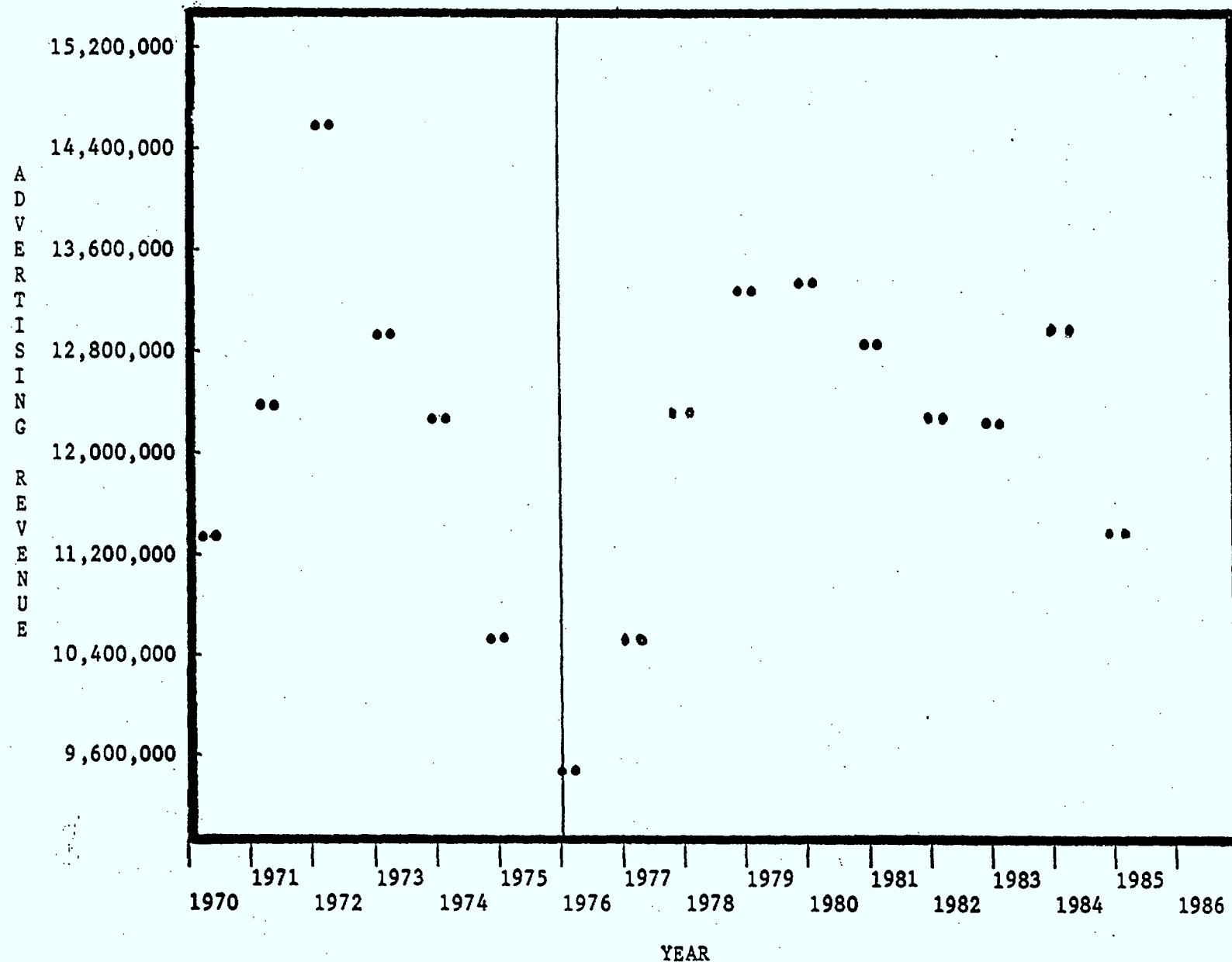
While it is evident that government intervention (i.e., Bill C-58) had a marked effect on Time in Canada, the impacts of the intervention are less clear with Reader's Digest. The fact that Reader's Digest was experiencing a slight lessening of demand (i.e., declining circulation) and a significant drop in advertising revenues for a number of years prior to the intervention, makes it very difficult to determine the exact nature of Bill C-58's effects on this periodical.

EXHIBIT 5  
READER'S DIGEST -- TOTAL PER ISSUE CIRCULATION



Source: CARD

EXHIBIT 5.4  
READER'S DIGEST -- ANNUAL ADVERTISING REVENUE  
(in 1981 Dollars)



Source: Magazines Canada

It appears as if the publishers of Reader's Digest responded to Bill C-58 in a completely different manner than did the publishers of Time. It underwent a complete corporate reorganisation resulting in a revised ownership. Twenty-five per cent was given to the Reader's Digest Association and 75 per cent allocated to the Reader's Digest Foundation of Canada. In doing so, Reader's Digest was in compliance with the Canadian ownership rules of Bill C-58. Furthermore, it made a commitment on a voluntary basis to boost the Canadian editorial content of its material to a minimum of 35 per cent. It should also be noted that 80 per cent of the content must be original (not necessarily Canadian) to comply with C-58.

Reader's Digest was, and continues to be, one of the giants in the periodical industry. However, it is interesting to note that despite increased circulation during the 1980's, advertising revenues generated by Reader's Digest have steadily declined.

#### 5.4 Maclean's

Maclean's was the Canadian periodical for which Bill C-58 had the most apparent and beneficial effects. It is also a good example of the type of publication that C-58 was intended to benefit.

It is difficult to determine the exact nature of the impacts of Bill C-58 on the circulation of Maclean's in Canada. This is primarily due to concurrent changes made to the magazine's format and publication frequency. In October 1975, in anticipation of the C-58 legislation, Maclean's made a format change from a general interest periodical to a news magazine. At the same time, Maclean's went from monthly to bi-weekly issues (changing to weekly publication in September, 1978). In addition, Maclean's significantly increased its staff complement and upgraded its equipment, presumably to enhance the overall quality of its magazine.

The result of these changes in the format and frequency of Maclean's, coupled with the effects of C-58, was a dramatic improvement in the performance of the publication. Even though per issue circulation dropped by over 15 per cent from its high in 1973 to the low in 1979 (see Exhibit 5.5.A), the more important change is the very substantial increase in total annual circulation of over 300 per cent between 1974 and 1979 (see Exhibit 5.5.B).

Exhibit 5.6 displays the changes in advertising revenues generated by Maclean's during the pre and post legislation periods. Between 1971 and 1975, advertising revenues remained stable. Beginning in 1976, corresponding to the large circulation increases, advertising revenues began increasing substantially. In 1976-77 alone, advertising revenues grew by over \$4 million. The following year there was a further \$2 million increase. These increases indicate that Maclean's benefited substantially from the intervention which assisted in the transition from a monthly to a weekly news magazine.

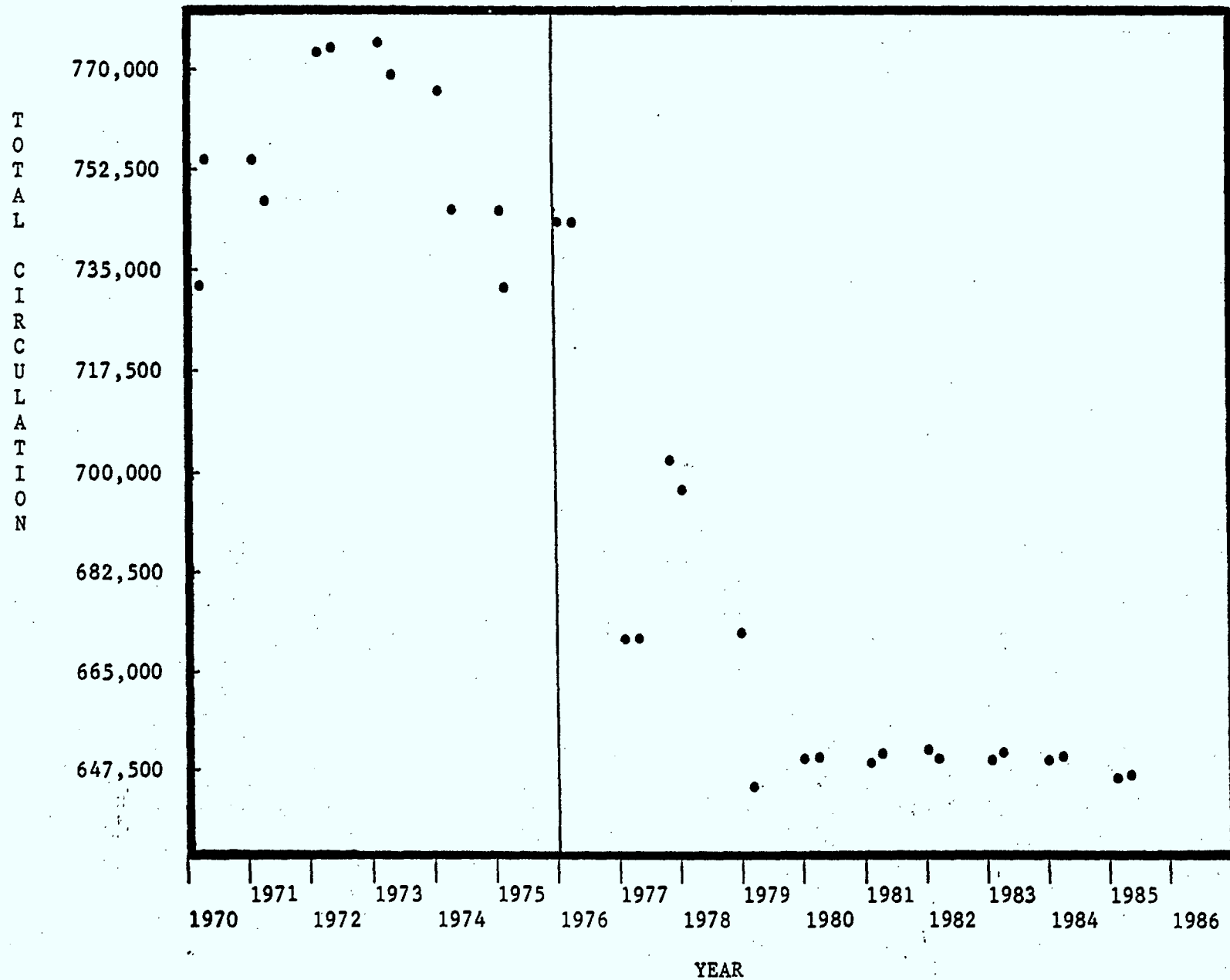
## 5.5 Chatelaine

Total circulation for Chatelaine magazine remained relatively stable between 1970 and 1979, while steadily improving thereafter (see Exhibit 5.7). Total circulation for Chatelaine peaked in 1983-84, returning to the previously established pattern of stable growth in 1984-85.

Advertising revenues, on the other hand, fluctuated in a cyclical pattern from year to year between 1970 and 1977 (see Exhibit 5.8). After 1977, Chatelaine experienced very marked growth in advertising revenues through to 1983. Between 1977 and 1983, their advertising revenues grew by \$8 million.

An analysis of the rates of change (i.e., slopes) of both total circulation and advertising revenues for

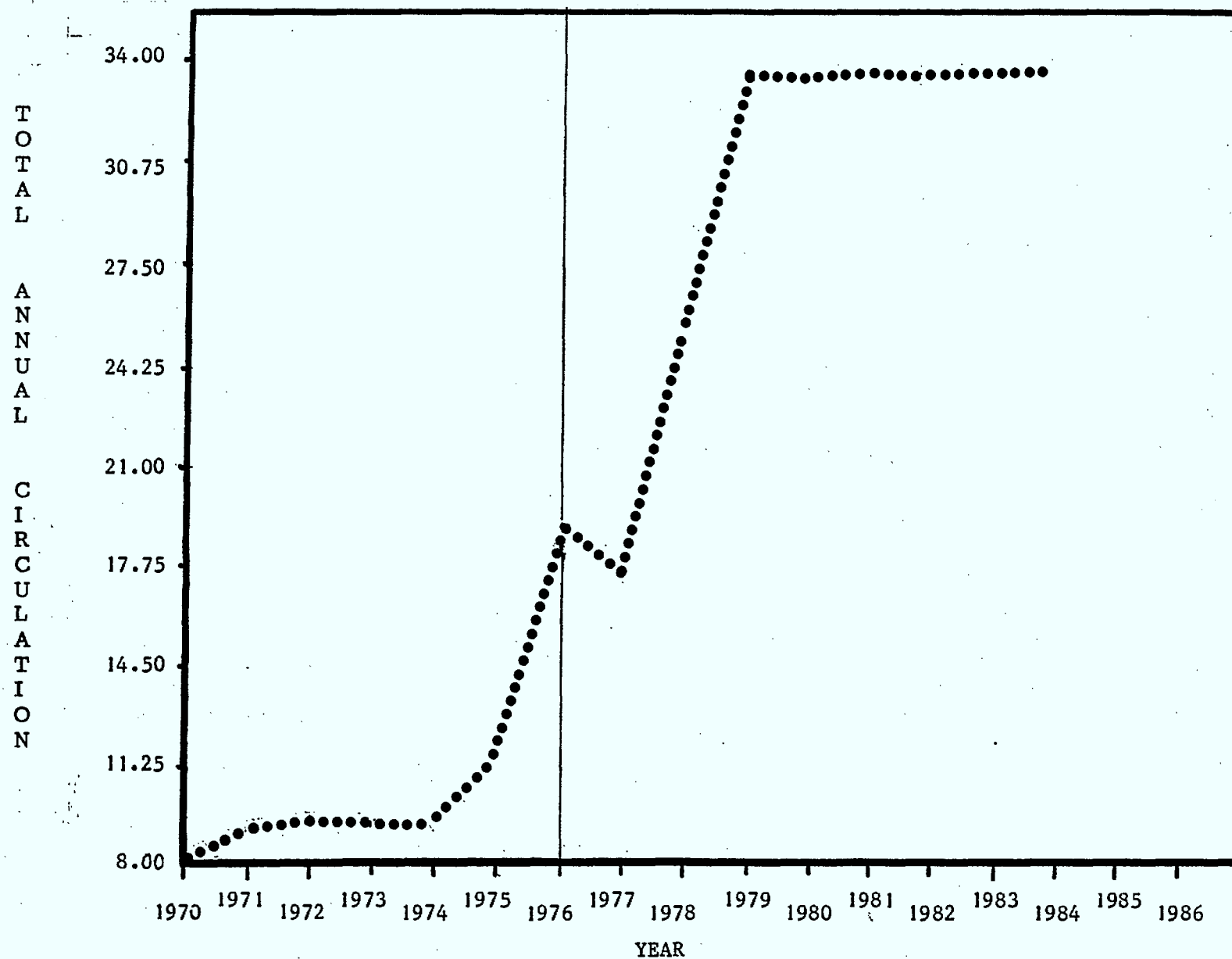
EXHIBIT 5.5  
MACLEAN'S -- TOTAL PER ISSUE CIRCULATION



Source: CARD

EXHIBIT 5.5.B  
MACLEAN'S -- TOTAL ANNUAL CIRCULATION

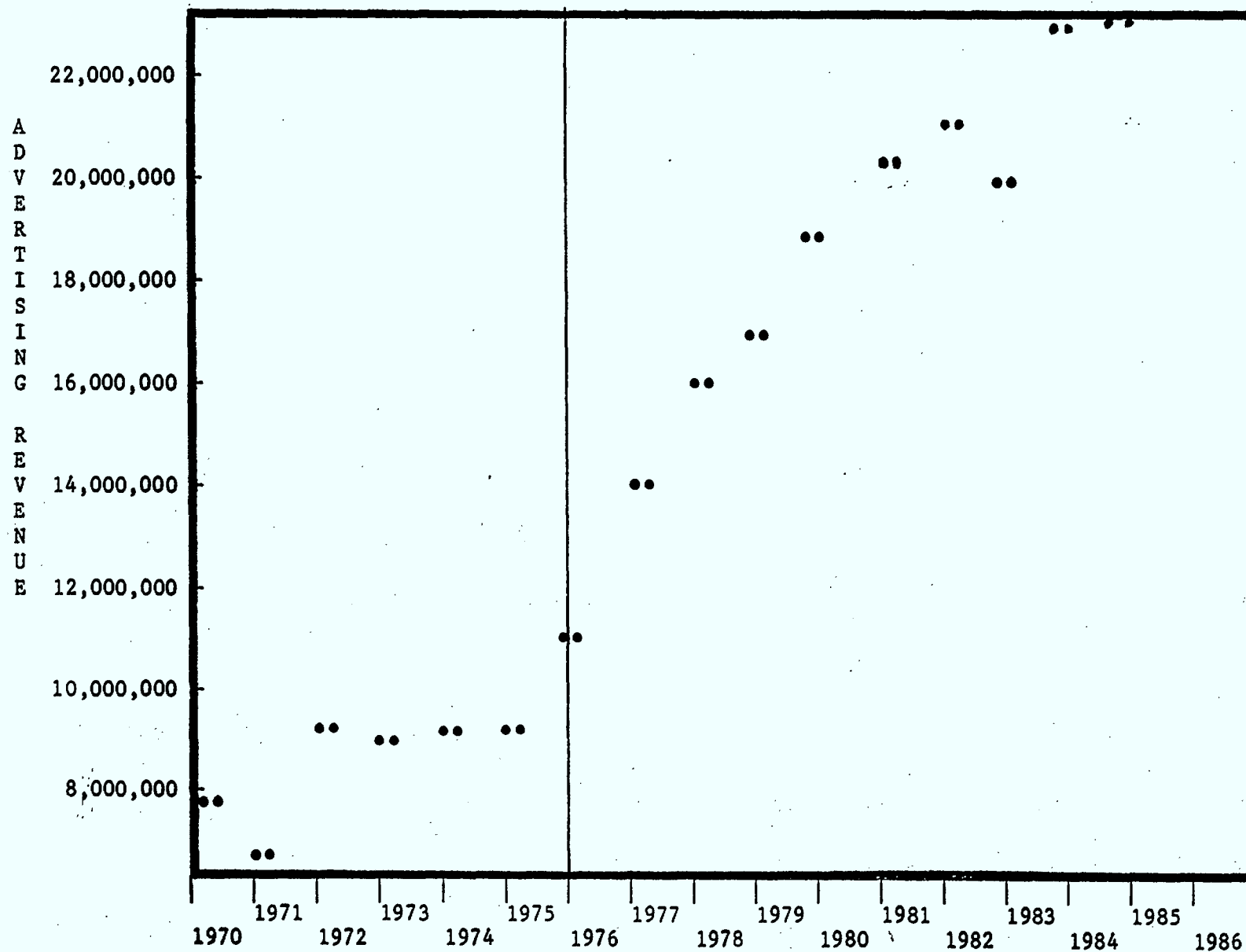
(in million's)



Source: CARD



**EXHIBIT**  
**MACLEAN'S -- ANNUAL ADVERTISING REVENUE**  
 (in 1981 Dollars)

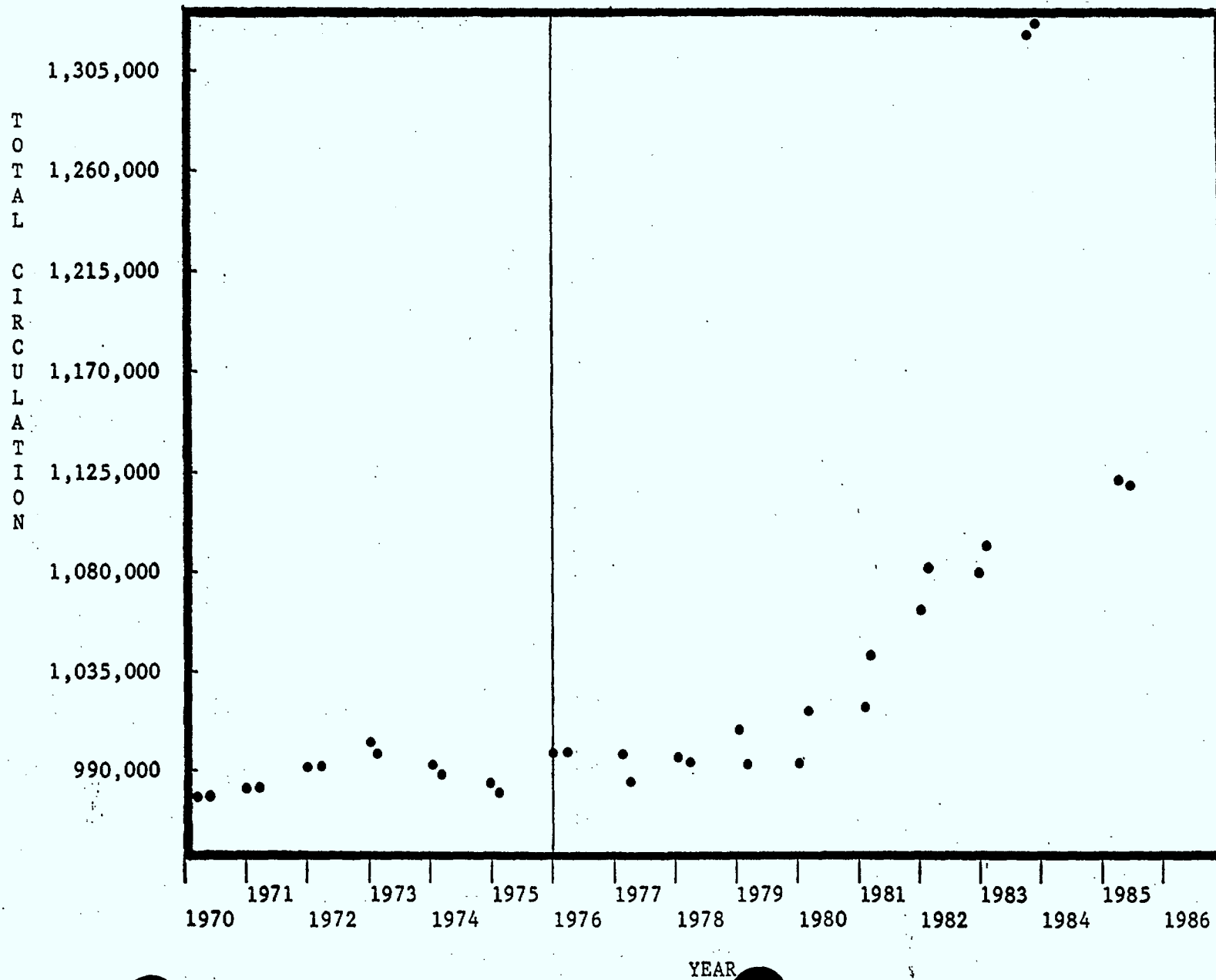


Source: Magazines Canada

YEAR

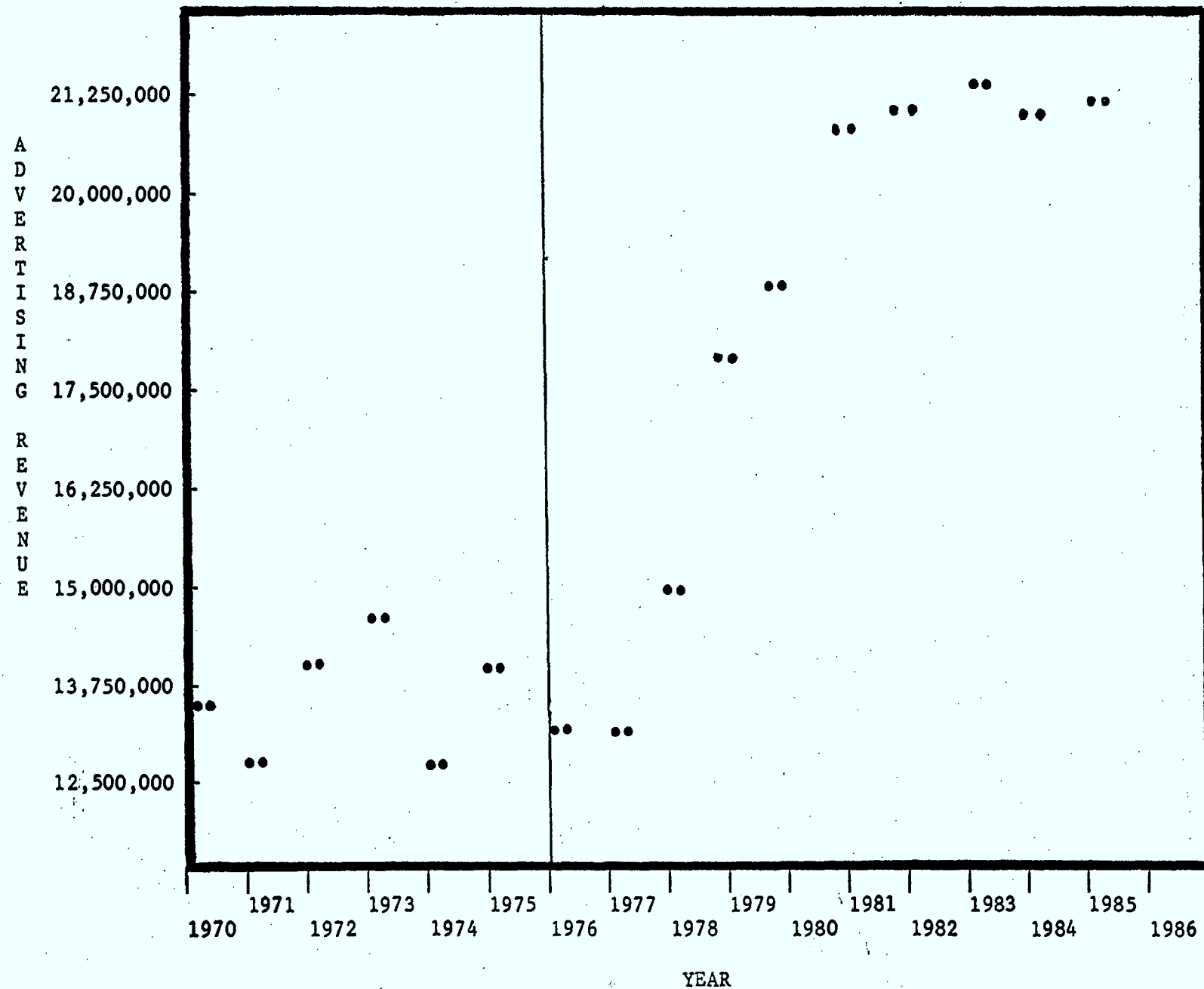
# EXHIBIT 5.7

## CHATELAINE -- TOTAL PER ISSUE CIRCULATION



Source: CARD

EXHIBIT 5  
CHATELAINE -- ANNUAL ADVERTISING REVENUE  
 (in 1981 Dollars)



Source: Magazines Canada

Chatelaine indicate statistically significant differences between the pre and post legislation periods (see Appendix F.4). The rapid growth in advertising revenues experienced by Chatelaine after 1977 shows a marked similarity to the post legislation growth experienced by Time between 1977 and 1985 and by Reader's Digest between 1977 and 1980 (see Exhibit 5.14 in Section 5.9 of this chapter).

#### 5.6 Saturday Night

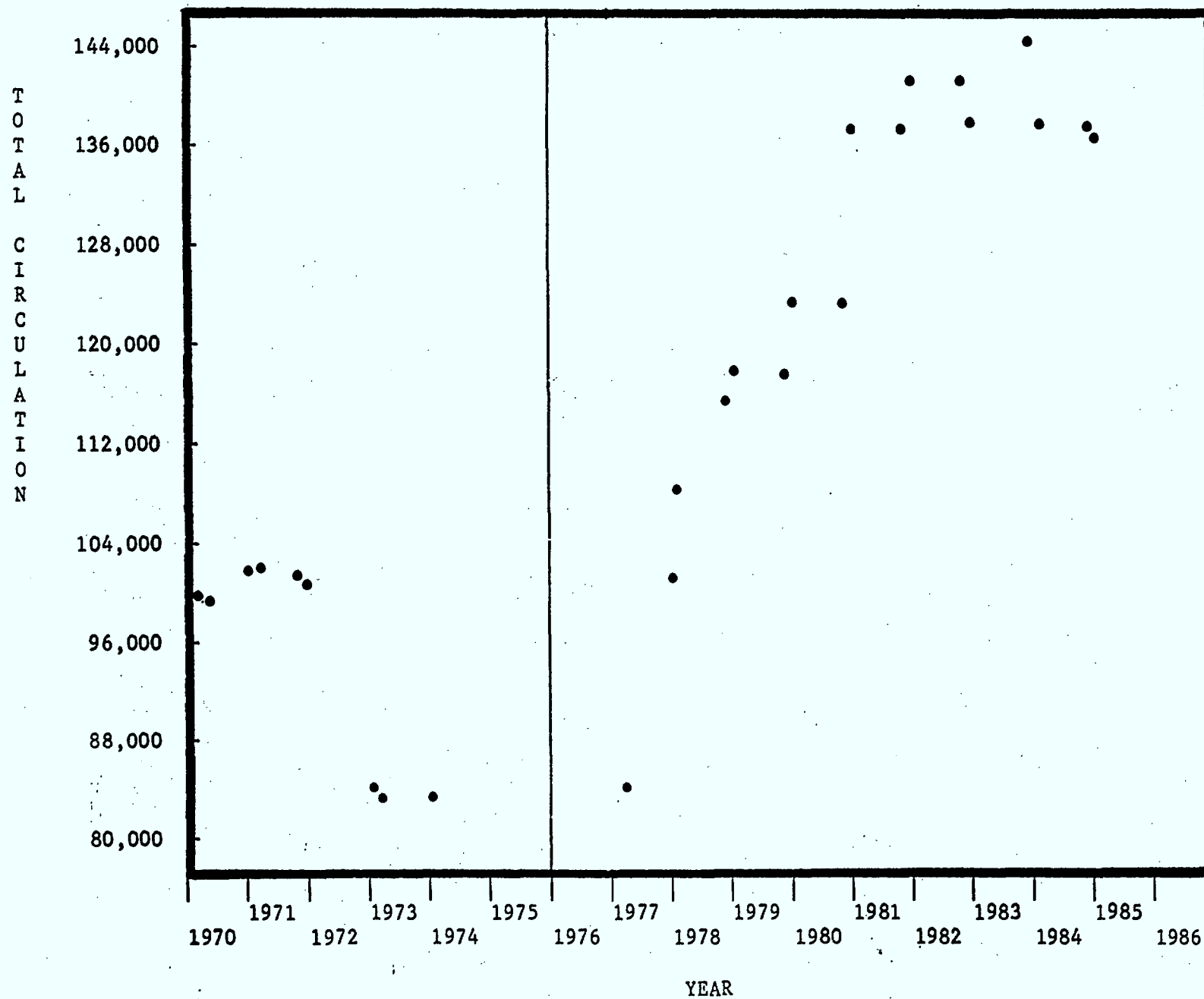
Prior to 1976 total circulation for Saturday Night had been steadily declining for four consecutive years. Advertising revenues remained stable, although modest, during the same pre legislation period.

Beginning in 1977, total circulation steadily increased reaching a peak in 1983-84 (see Exhibit 5.9). An analysis of the rates of change (i.e., slopes) of subscription circulation in the pre and post legislation periods shows a statistically significant change which may be attributed, at least in part, to the intervention (see Appendix F.5).

Advertising revenues generated by Saturday Night also increased substantially after the intervention (see Exhibit 5.10). In 1975, advertising revenues were approximately \$700,000, whereas in 1976 they climbed to over \$1 million and peaked at just less than \$2 million in 1979. There was a sharp decline in advertising revenues in 1980 which confounds the analysis of differences in the rates of change in advertising revenues between the pre and post legislation periods (presented in Appendix F.5).

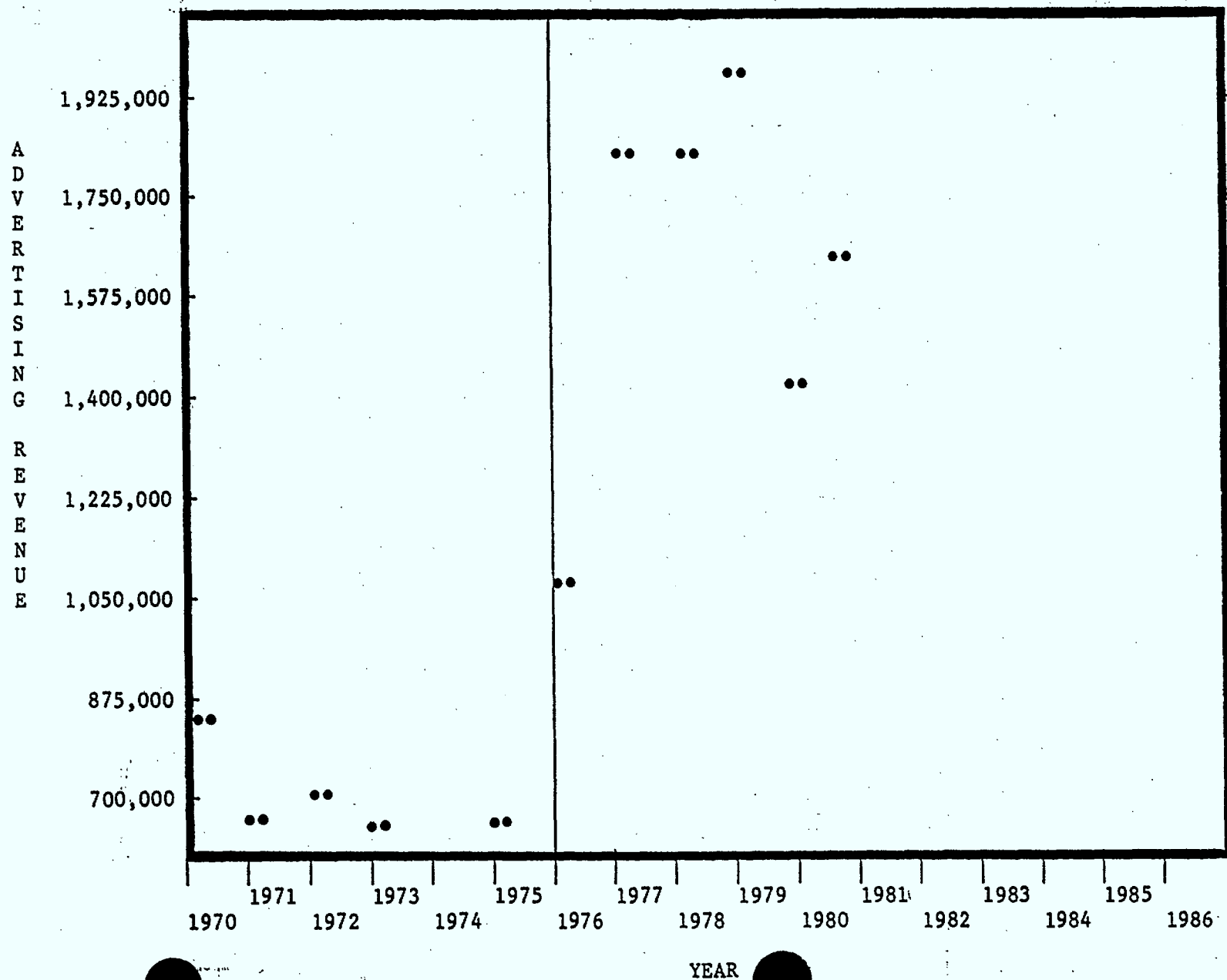
The analysis of the rates of change in advertising revenues, does show a significant difference however in the analysis of variance in advertising revenues between the pre and post legislation periods (see Appendix H). Prior to 1976, the average advertising revenues generated by Saturday

EXHIBIT 5.9  
SATURDAY NIGHT -- TOTAL PER ISSUE CIRCULATION



Source: CARD

**EXHIBIT 5.10**  
**SATURDAY NIGHT -- ANNUAL ADVERTISING REVENUE**  
 (in 1981 Dollars)



Source: Magazines Canada (revenue data was not available after 1981)

Night was \$702,310 while in the post legislation period the average was \$1.64 million (in 1981 dollars).

Using regression techniques to predict advertising revenues, we found that the most important predictive (independent) variable was the pre/post legislation variable.<sup>1</sup>

While Saturday Night did not experience the kind of growth in circulation and advertising revenue exhibited by Maclean's and Chatelaine, the data suggests that it was positively affected by the legislation.

#### 5.7 Canadian Geographic

The data available concerning total circulation and advertising revenues for Canadian Geographic during the pre legislation period was more limited, and impeded our ability to statistically determine the nature of the impacts of Bill C-58 on the publication. Prior to the legislation, we only have total circulation data for 1970, 1971 and 1975. During this period, total circulation appeared to have remained steady at just less than 30,000 copies. Although we cannot determine statistical differences in the periods before and after the legislation with any precision, it is clear that 1976 marked the beginning of a period of major growth for this magazine. After 1976, total circulation climbed steadily, peaking at close to 120,000 copies in 1983 (see Exhibit 5.11).

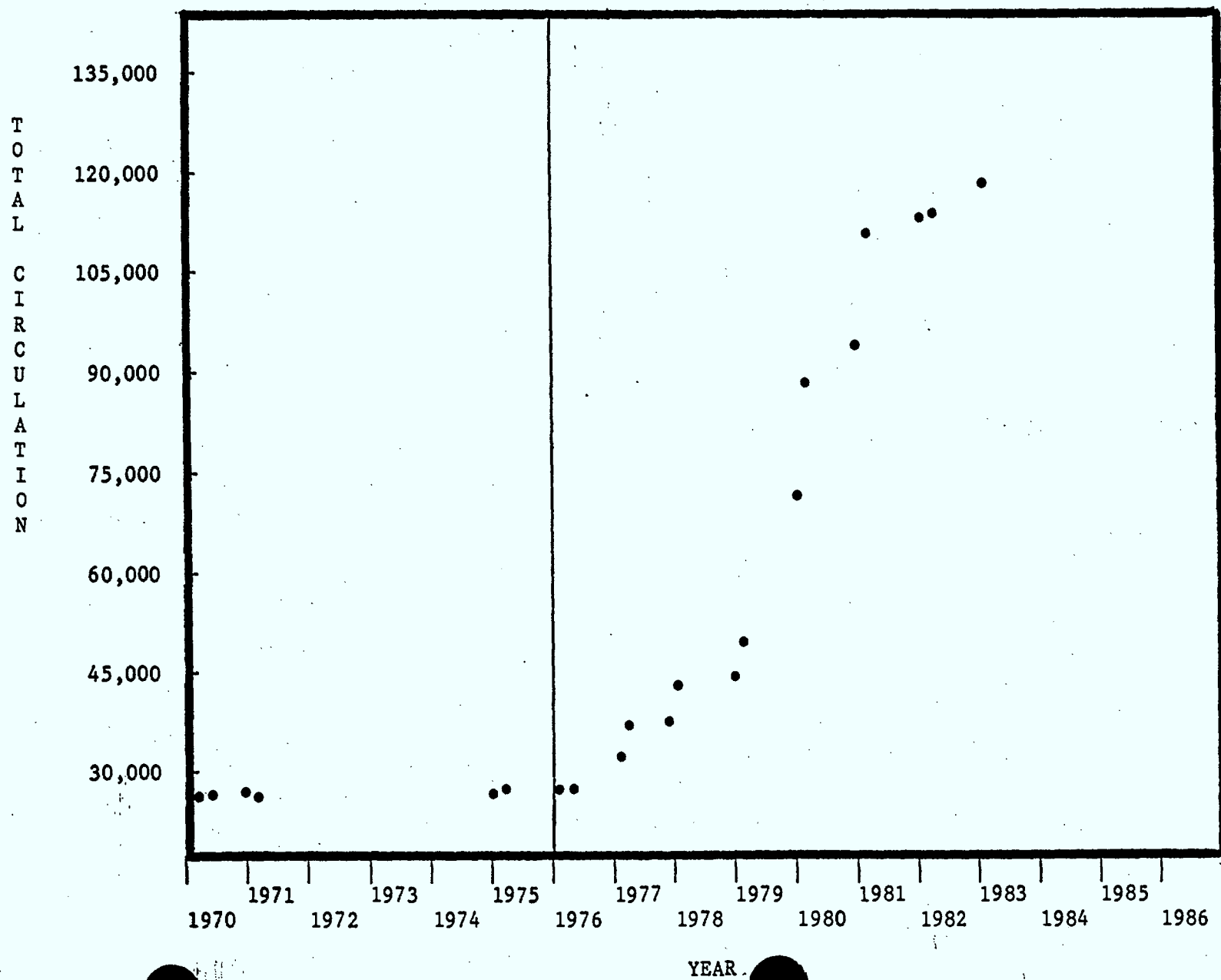
The data concerning advertising revenues generated by Canadian Geographic show steady growth between 1974 and 1982 (see Exhibit 5.12). In 1974, advertising revenues were less than \$40,000. By 1982, advertising revenues had

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<sup>1</sup> Given the large fluctuations in advertising revenues generated by Saturday Night which resulted from the temporary suspension of operations, we must exercise caution in interpreting the results of the regression.

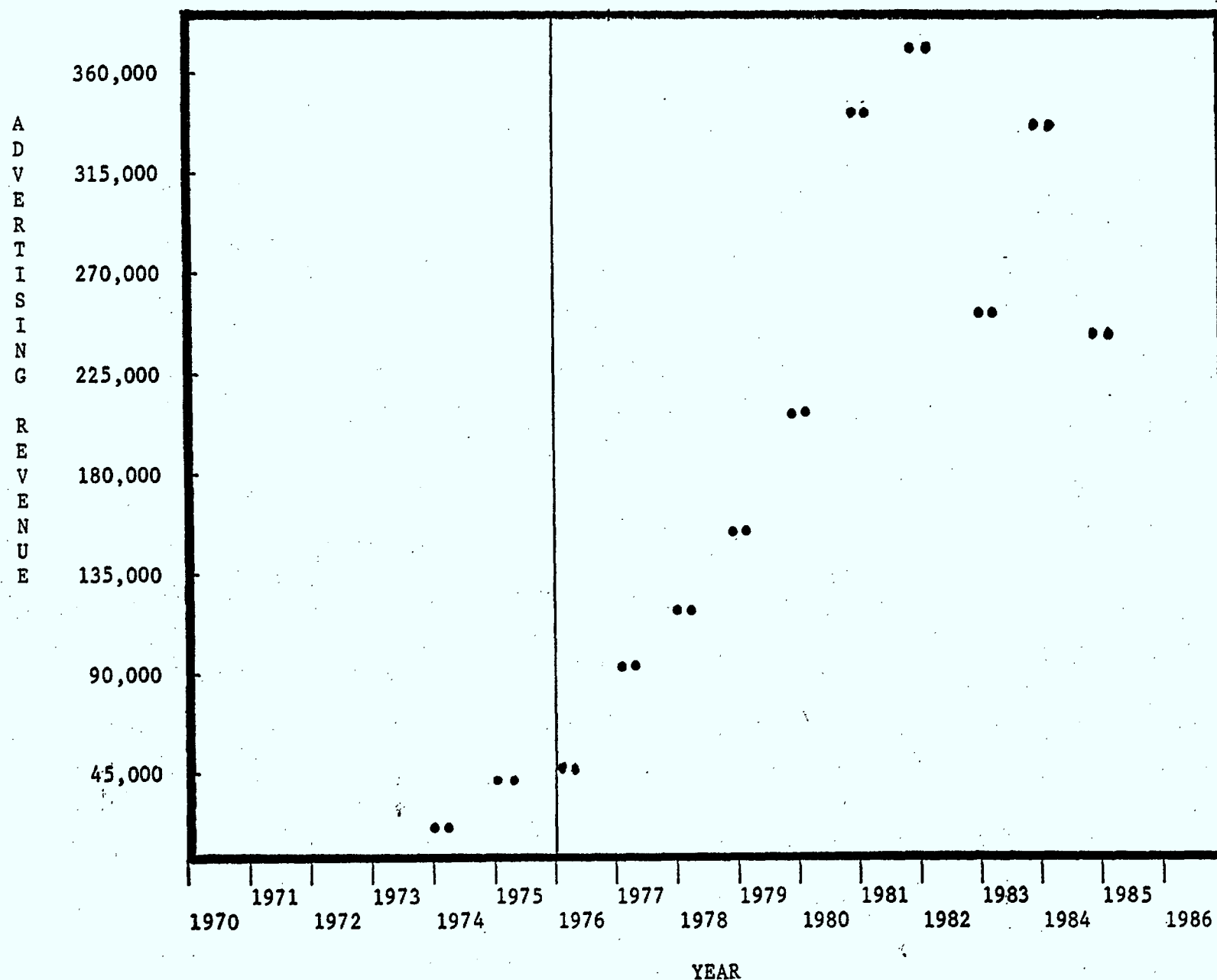


EXHIBIT 5.11  
CANADIAN GEOGRAPHIC -- TOTAL PER ISSUE CIRCULATION



Source: CARD (data was not available 1972-1974)

**EXHIBIT 5.1**  
**CANADIAN GEOGRAPHIC -- ANNUAL ADVERTISING REVENUES**  
 (in 1981 Dollars)



Source: Magazines Canada (data was not available prior to 1974)

climbed to approximately \$350,000. The analysis of variance (see Appendix H) confirms the significance of this difference in advertising revenues between the pre and post legislation periods. The average annual revenue during the pre legislation period was \$34,430, while the average was \$211,499 in the post legislation period (in constant 1981 dollars).

Given the lack of consistent data for the entire period between 1970 and 1985, we were unable to calculate the rates of change (i.e., slopes) for total circulation or advertising revenues. Although it is difficult to determine the impacts of Bill C-58 on this publication, through a comparative analysis of the periods before and after the legislation, there are clear and interesting patterns in the post 1976 period.

It would appear that the intervention posed by Bill C-58 had a positive impact on Canadian Geographic both in terms of circulation and advertising revenues. In proportional terms Canadian Geographic appears to have improved its performance after 1976 as well or better than any of the other periodicals we have examined. The absolute magnitude of the impact, however, was much less because the periodical has a more specialised readership and smaller circulation.

#### **5.8 Comparative Analysis of Growth in Advertising Revenues for Six Selected Periodicals**

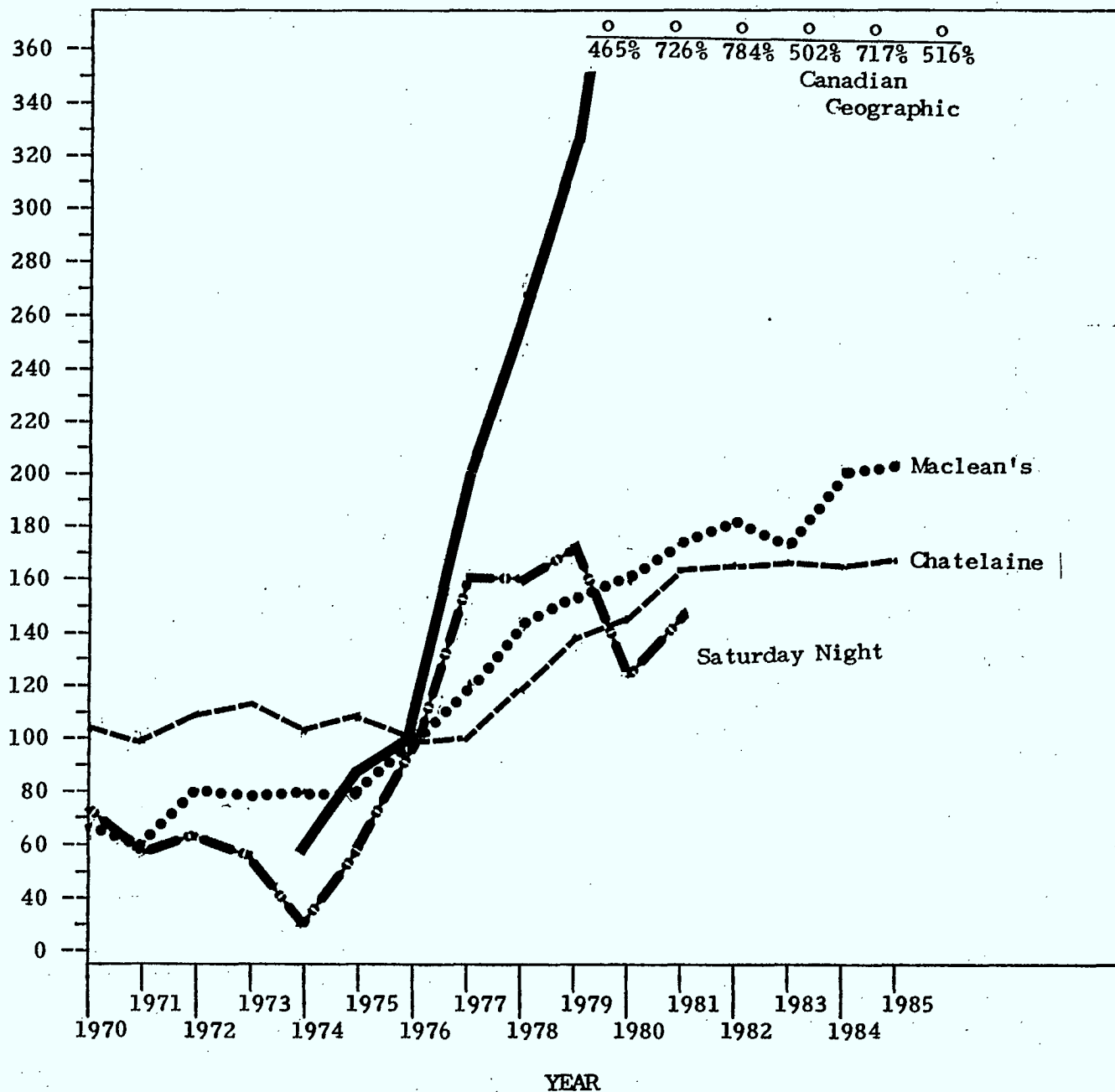
Because of the substantial differences in size of the six selected periodicals on a number of dimensions, it is difficult to compare changes in advertising revenues in terms of dollars alone. To overcome this problem, of scale, we have standardised advertising revenues to proportionate terms, using 1976 as the base year with an assigned value of 100 for all periodicals. Values below or in excess of the

figures for 1976 for a given periodical have been calculated in proportion to that year. For example, if the advertising revenues for periodical were \$1 million for 1976, \$2 million for 1977 and increased by \$1 million every year, then the values on the scale would be 100 for 1976, 200 for 1977, 300 for 1978, etc.. The scale values for another periodical X would be the same as for periodical Y if the advertising revenues were only \$1,000 in 1976, \$2,000 in 1977, etc.. The graphic comparison of the changes in advertising revenues for the four Canadian periodicals is presented in Exhibit 5.13.A. A similar graph for the two American periodicals is presented in Exhibit 5.13.B. (Note: The actual figures, expressed in 1981 dollars, are presented in Appendix I.)

As we have already shown on an individual basis, the four Canadian periodicals all experienced substantial increases in advertising revenues immediately after 1976. Excluding Saturday Night, which experienced its first decline in 1980, these increases continued until 1982 when the effects of the recession apparently began to be felt. In these percentage terms, Canadian Geographic had by far the largest increases of any of the periodicals.

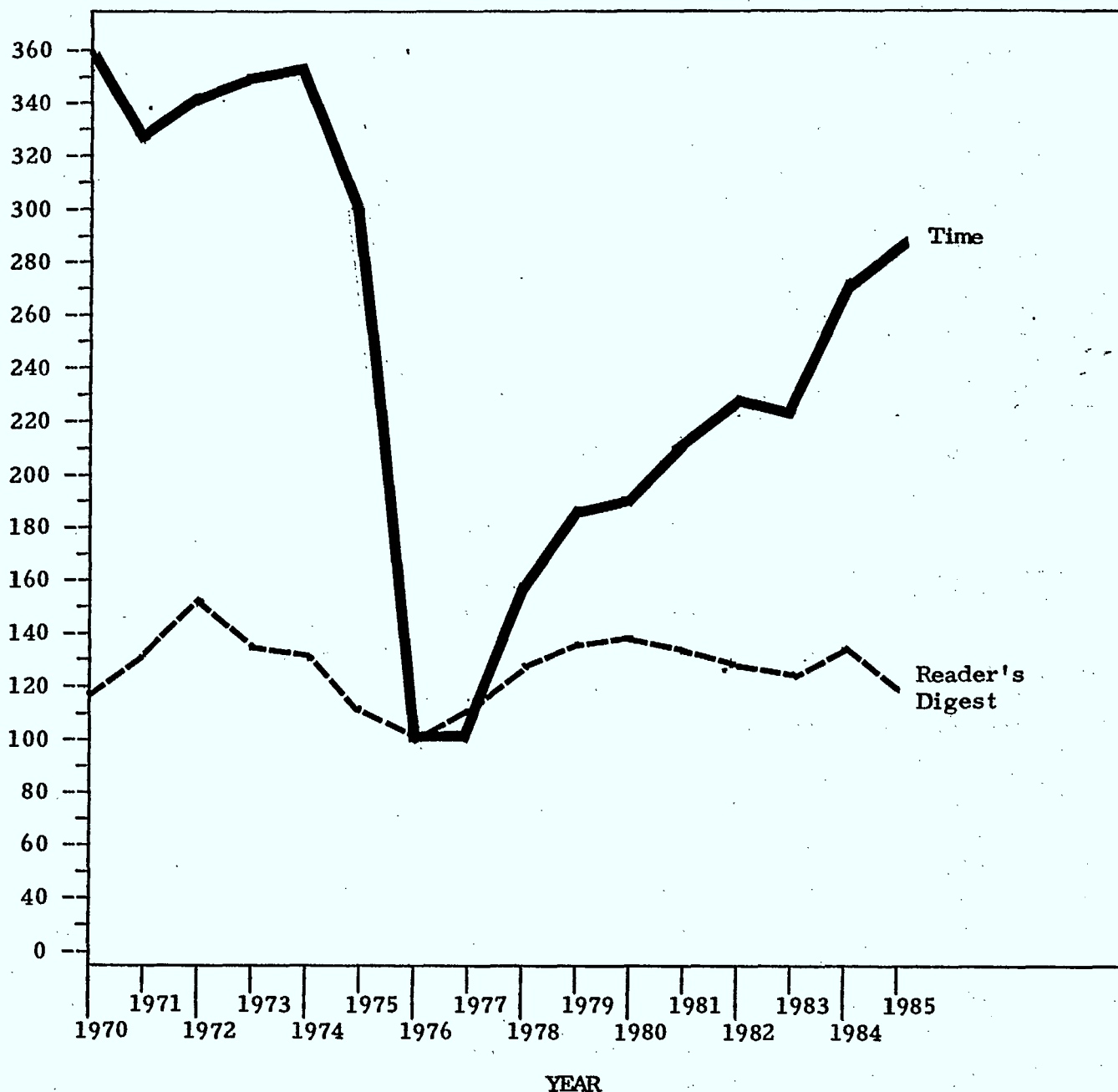
The Canadian periodicals have clearly improved their performance on this financial indicator over their performance during the period of time prior to the legislation. Their net gains, even with some recent declines, are substantial. The U.S. periodicals Time and Reader's Digest have lost revenues over the long term and are still below their peak performance in the early 1970's. However, if we look only at the pattern of growth after 1976 and the initial shock of the legislation, the performance of these two periodicals is not that different from the Canadian publications in this sample. In fact since 1976, Time has outperformed, in relative terms, all but Canadian Geographic.

**EXHIBIT 5.13.A**  
**STANDARDISED COMPARISON OF CHANGES IN ADVERTISING**  
**REVENUES FOR FOUR CANADIAN PERIODICALS\***



\* The graph represents percentage changes, with the values for all indicators being standardised to 100 for 1969. Changes reflect real increases while controlling for the effects of inflation.

EXHIBIT 5.13.B  
STANDARDISED COMPARISON OF CHANGES IN ADVERTISING  
REVENUES FOR TWO AMERICAN PERIODICALS\*



\* The graph represents percentage changes, with the values for all indicators being standardised to 100 for 1969. Changes reflect real increases while controlling for the effects of inflation.

These facts suggest that the C-58 legislation had the intended effects during the initial period after its introduction, but that other factors affecting the performance of these periodicals have, since that time, made the long term effects of the legislation unclear.

#### 5.9 Displacement Effect of Bill C-58

Thus far, we have presented an analysis of the impacts of Bill C-58 on the total circulation and advertising revenues of six selected periodicals. An alternative approach to the analysis of the impacts of Bill C-58 that we have used is based on a retrospective examination of the one-time displacement effect that the intervention had on the advertising revenues generated by the six selected periodicals. Exhibit 5.14 presents our findings.

In 1975 and 1976, the two major periodicals from the United States (Time and Reader's Digest) lost approximately \$17.5 million in advertising revenues. During the same period, the four Canadian periodicals examined in this study showed a net gain of about \$3 million in advertising revenues.

The significant losses in advertising revenues experienced by the two American periodicals suggests that Bill C-58 had a very strong short-term displacement effect. This is not altogether surprising as the changes embodied in the legislation were designed to tighten-up the loopholes which had been left for Time and Reader's Digest in the 1966 legislation.

What is not clear is who immediately benefited from the displacement effect of the legislation. The periodical industry as a whole lost a portion of its market share of advertising revenues in 1976. At least part of the lost revenues of foreign periodicals resulting from Bill



# EXHIBIT 5.14

## Displacement Analysis: General Periodicals

Lost Revenue

Gained Revenue

1975

Time 3,017,336

R.D. 1,761,749

37,982 MacLeans

976,103 Chatelaine

14,199 Cdn. Geo.

-- Sat. Night

1976

Time 11,654,233

R.D. 1,078,160

Chatelaine 1,085,510

2,349,719 MacLeans

5,883 Cdn. Geo.

465,963 Sat. Night

1977

33,619 Time

1,046,695 R.D.

Chatelaine 8,824

2,475,857 MacLeans

47,199 Cdn. Geo.

691,490 Sat. Night

1978

3,460,414 Time

1,660,103 R.D.

2,428,971 MacLeans

2,283,132 Chatelaine



32,513 Cdn. Geo.

Sat. Night 3,356

Source: CARD

Scale:  = \$1 Million

Note: Advertising dollars are in 1981 real dollars.

Key:  = American Publications  
 = Canadian Publications

C-58 may have been redistributed to other Canadian media such as radio and television. While this may not have been an intended impact of the legislation, it can still be seen in a very positive light.

By the end of 1978, the net loss in advertising revenues for Time and Reader's Digest stood at about \$9 million after a strong post intervention recovery by both publications. At the same time, just these four Canadian periodicals, led primarily by Maclean's and Chatelaine, had experienced a net increase of over \$4.5 million in advertising revenues.

Since 1979, Maclean's, Chatelaine and Time have steadily increased their advertising revenues. Both of the Canadian periodicals have clearly benefited from the legislation, not only in the short term (i.e., immediate displacement effect), but also in the longer term. The longer-term benefits stem from the enhanced market position, as shown by changes in advertising revenues, which Maclean's and Chatelaine have sustained and improved upon since 1976. This suggests that the legislation may have aided in the process of maturation of the Canadian periodical industry.

## 6.0 SUMMARY AND CONCLUSIONS

The objective of this study has been to quantitatively assess the effects of Bill C-58 on the Canadian periodical publishing industry. In general, the evidence about the benefits of the 1976 legislation to the periodical industry is mixed and the overall findings are not conclusive. There is much to indicate that the C-58 legislation was associated with a five year period of tremendous growth in the periodical industry. However, it is difficult to determine the extent to which this growth can be attributed to the legislation, in comparison with other factors such as growth in the economy, consumer trends and sociodemographic change. Although we do conclude that C-58 was an important factor in the period of industry growth in the 1970's, the evidence about any positive impacts at present or throughout the 1980's is much weaker.

The original 1966 legislation does not appear to have had any significant effects on the periodical industry. The available data were not detailed and our analysis was limited, but the patterns make it apparent that the 1966 legislation was of little benefit. The exclusion of Time and Reader's Digest, as printed-in-Canada publications, was a contributing factor. Probably more important was the fact that the time was not yet ripe for a take-off in the periodical industries of either Canada or the U.S..

Canadian periodical publishers have often cited the growth in the number of periodicals as evidence of the positive effects of Bill C-58. The results of our analysis of the data support these claims. There were modest increases in the number of periodicals after 1970, but the growth takes off rapidly after 1976. Between 1976 and 1980

there was an average net increase of over 50 new periodicals per year. Proportionately, the rate of growth (i.e., 5.5 per cent per year) was more than twice the rate for the same period in the U.S.. Furthermore, this pattern was consistent for all major types of periodicals. Between 1981 and 1985 the growth rate declined somewhat but was still high.

Total advertising revenues for periodicals started to increase significantly after 1974 and increased by over 50 per cent between 1976 and 1980. The percentage increases were almost this high from 1971 to 1975, but the dollar increases were much higher after 1976. Business and farm periodicals showed larger increases, in relative terms, than did general consumer periodicals after 1976.

The advertising revenue increases for periodicals between 1976 and 1980 were substantially larger than the corresponding increases for other media such as broadcasting and newspapers. In general, the five year period after the implementation of Bill C-58 was a successful time for all media, with advertising revenues growing at almost twice the rate of the economy as a whole. However, periodicals began to take a much larger share of the advertising market (i.e., from 6.4 per cent in 1975 to 8.4 per cent in 1980) and revenues increased at a proportionately faster rate. In fact, periodical advertising revenues increased at almost five times the rate of growth of the economy as a whole from 1976 to 1980.

Although C-58 was not designed to increase readership, circulation patterns were examined because of the direct relationship between circulation and other key variables such as advertising revenues. There were large circulation increases for general interest periodicals throughout the 1970's. However, the greatest average annual increases took place from 1971 to 1975, when circulation for

these periodicals increased by almost 50 million annually. Although still substantial, these annual increases declined to 19 million between 1976 and 1980.

Circulation increases for general interest periodicals in the 1970's were many times the rate of population growth for the same period. However, some important sociodemographic factors that are related to readership, such as higher levels of educational attainment and increased leisure time, were not examined in our analysis. These factors helped to contribute to the higher demand for periodicals in the 1970's, resulting in higher circulation and the flood of new periodicals coming onto the market in the latter part of the 1970's. As was the case with the economic factors, the sociodemographic and market factors were crucial to the growth of the periodical industry in the 1970's. Although we can not attribute a specific portion of the industry growth to C-58, we believe that the evidence shows it to have been important, either directly or as a catalyst, to this period of growth.

The period of rapid growth, on virtually all dimensions, of the periodical industry between 1976 and 1980 did not continue into the 1980's. The number of periodicals continued to grow significantly, but advertising revenues stabilised with the recession of the early 1980's and the net growth for the period between 1981 and 1984 was very modest. The patterns of declines and increases in the 1980's were closely associated with broad economic indicators such as GNP, personal disposable income and net corporate profits.

The effects of C-58 on the circulation of the major national periodicals studied were almost immediate. These effects also followed the patterns of change in the industry as a whole in that there were large and rapid increases in circulation and advertising revenues which continued until 1980 when the growth stabilised.

The U.S. periodicals Time and Reader's Digest had major losses in both advertising revenues and circulation following implementation of the legislation. The advertising revenues of Time fell to less than one third of the 1974 total in 1977. What is significant, however, is that both of these U.S. publications started to recover their advertising revenues almost immediately. By 1980, Reader's Digest had advertising revenues and circulation totals exceeding its pre-1976 averages. Although the circulation of Time did not surpass two thirds of the pre-1976 average, advertising revenues were double the 1976 low by 1980 and had trebled it by 1985, almost achieving the pre-1976 average despite the continued influence of the C-58 legislation.

Of the national Canadian periodicals, Maclean's was a major beneficiary of the legislation. C-58 was instrumental in allowing Maclean's to fulfill the goal of its publishers in becoming a weekly magazine in 1978. Maclean's more than doubled its annual circulation in 1976 and increased it fourfold by 1979. Advertising revenues increased at a more modest rate, but the growth was still substantial by industry standards, rising from \$9 million in 1975 to \$19 million by 1980. Chatelaine, Saturday Night and Canadian Geographic made increases in circulation and advertising revenues between 1976 and 1980 that equalled (i.e., in proportional terms) the increases of Maclean's. Given that the rates of these increases were so much higher than those of other economic, social or industry variables during this period, we can only conclude that C-58 had a major and positive impact from 1976 to 1980.

After 1980, it becomes much more difficult to find evidence of positive effects from C-58. The advertising revenues of Maclean's continued to increase throughout the 1980's, although circulation stabilised. For the other

three Canadian periodicals studied, circulation increased while advertising revenues showed no net increases after 1980.

In summary, we believe that our analysis has shown that C-58 had a positive effect on the Canadian periodical publishing industry. The benefits have been demonstrated both for the industry as a whole and for a selection of major national publications. Although this analysis was limited by methodological problems related to the lack of available data, and although there were many factors outside the scope of our analysis, the evidence resulting from the different analyses indicates that, at a minimum, there was a short-term displacement effect that was well timed to help the Canadian industry take-off for a period of unparalled growth. What we cannot isolate from other factors such as economic growth and changing consumer trends, is the extent of this growth that can be directly attributed to C-58.

Despite the conclusions about the positive effects of C-58 in the 1970's, we have been unable to establish with confidence that the benefits continued to be felt into the 1980's. A strong association between the viability of the industry and broader economic factors meant a period of slow growth in the early 1980's and uncertain growth until 1986. Furthermore, with the exception of the growth in the total number of periodicals, growth did not outpace general economic performance or the growth of the major American periodicals sold in Canada. The advertising patterns of Canadian governments may have inadvertently contributed to this apparent weakening of the effects of C-58.

The adverse effects can be expressed in terms of actual spending in foreign publications and in terms of influence over private advertisers that may not feel obliged to comply with C-58.



## **APPENDIX A**

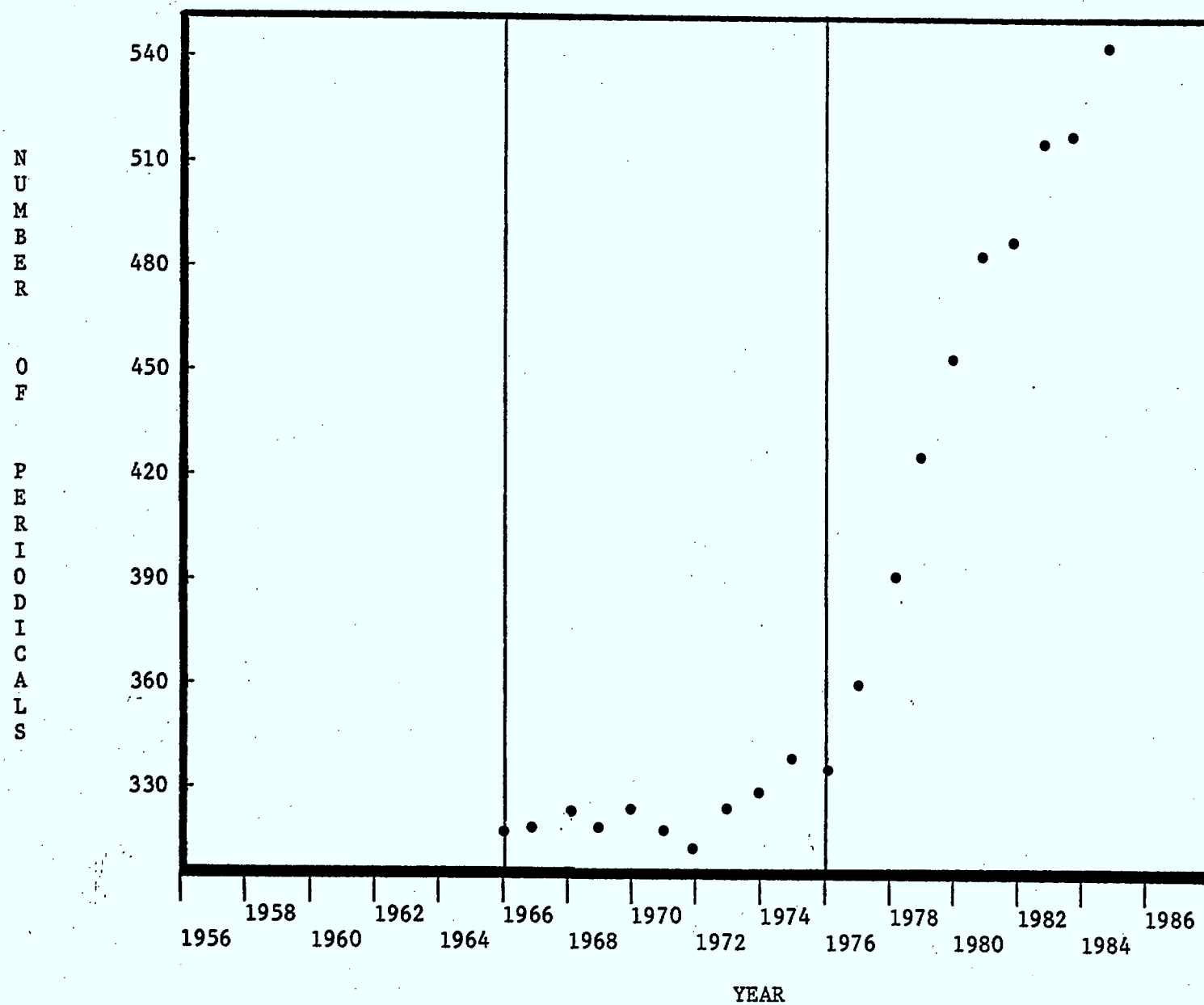
**Appendix A.1 Number of General Periodicals by Year**

**Appendix A.2 Number of Business Periodicals by Year**

**Appendix A.3 Number of Farm Periodicals by Year**

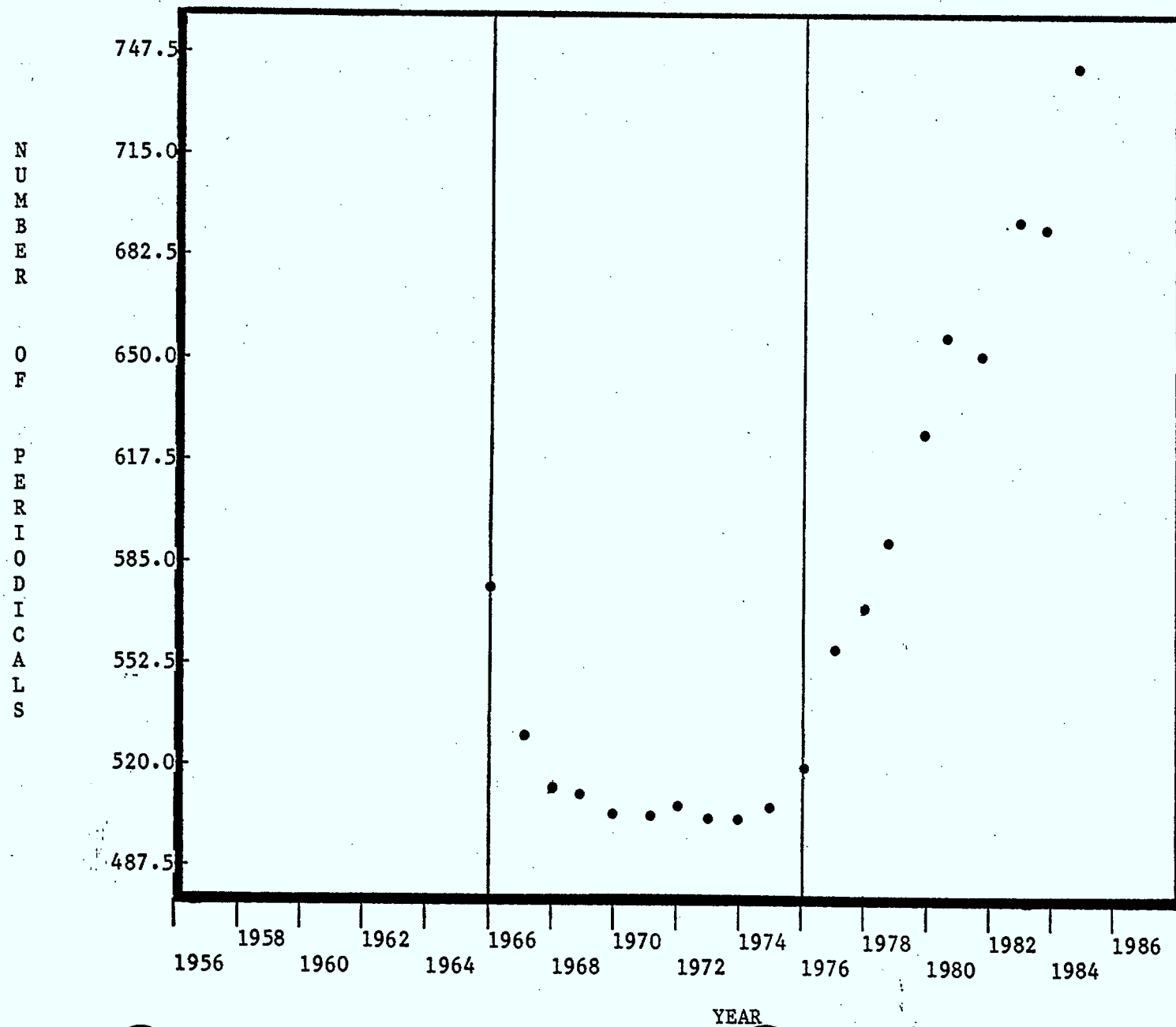
**Appendix A.4 Average Annual Growth in Number of Periodicals  
by Periodical Type**

APPENDIX A  
NUMBER OF GENERAL PERIODICALS BY YEAR



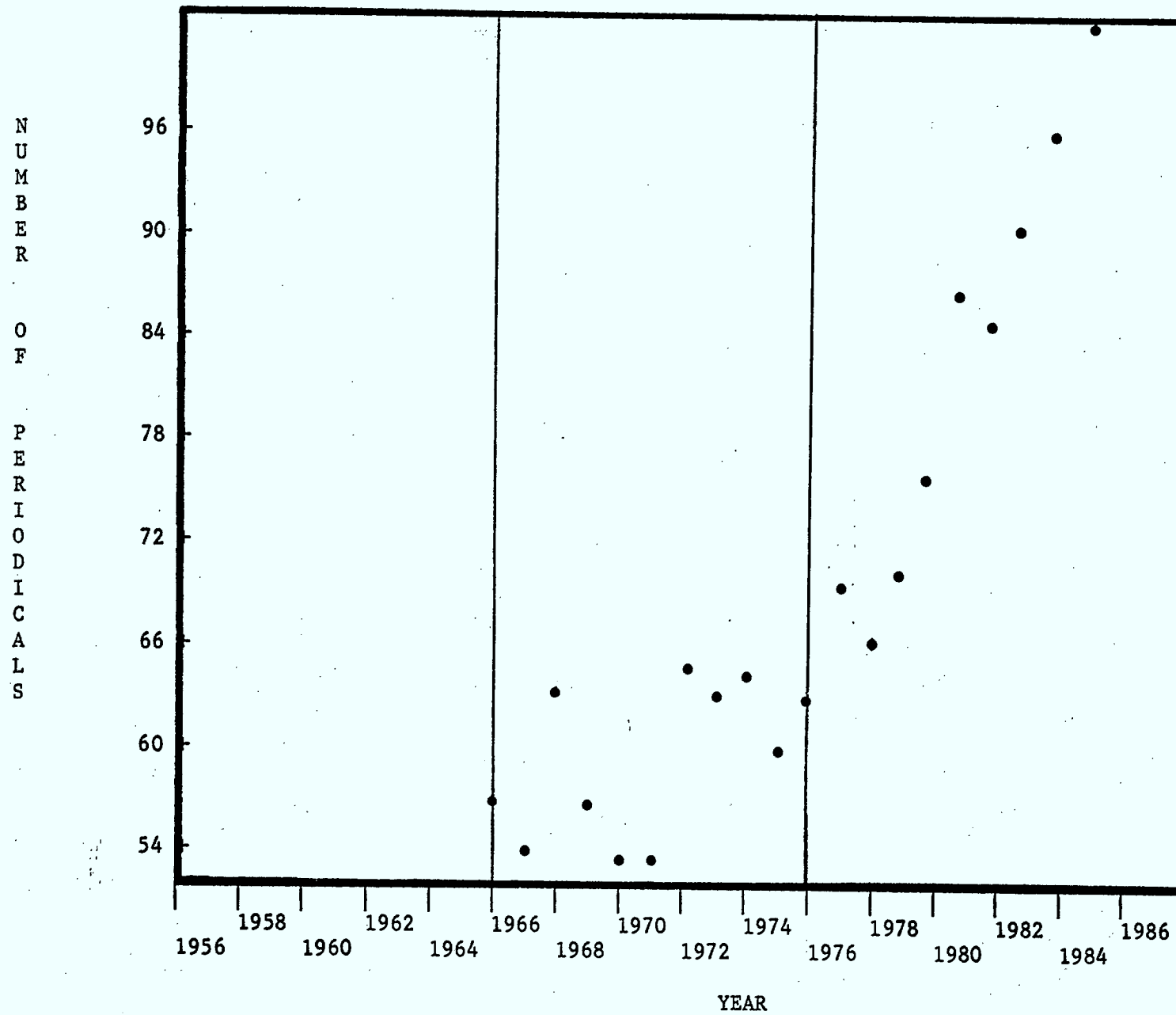
Source: CARD

APPENDIX A.2  
NUMBER OF BUSINESS PERIODICALS BY YEAR



Source: CARD

APPENDIX A.3  
NUMBER OF FARM PERIODICALS BY YEAR



Source: CARD

**EXHIBIT A.4**  
**Average Annual Growth in Number of Periodicals**  
**by Periodical Type**

<u>Time Period</u>	<u>General Periodicals</u>		<u>Business Periodicals</u>		<u>Farm Periodicals</u>	
	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Absolute Increase</u>
1966-1970	+1.0	+ 3.2	-3.1	-22.8	-1.1	-0.8
1971-1975	+0.8	+ 2.6	+0.8	+ 4.4	+2.2	+1.2
1976-1980	+6.2	+21.4	+5.1	+26.0	+5.7	+3.4
1981-1986	+4.1	+18.6	+3.6	+19.6	+3.4	+2.6

## **APPENDIX B**

### **Analysis of Rates of Change Before and After 1976 for Key Industry Variables**

The slopes presented in this appendix represent the average amounts of change in a given variable which has occurred over the course of a given period of time. The objective is to compare the rates of growth in the periods before and after the legislation was introduced. These slopes represent the regression coefficients or B's.

For each of the four key industry level variables presented (i.e., number of periodicals, total circulation, advertising revenues and advertising market share), we have analysed comparative rates of growth for all periodicals as well as for general, business and farm periodicals. The period of time covered by the analysis is from 1956 to 1985. Statistically significant differences (computed at a .05 level of significance) are indicated in exhibits by the asterisks. Differences in the rates of change before and after the legislation, suggest that the legislation may have an effect.

For example, in Appendix B.1, the overall slope (i.e., average rate of growth) shown for all periodicals between 1956 and 1985 is 12.02. However, prior to 1976 this average rate of growth is actually negative (-1.58) while after 1976 it is positive and very high (+50.19). This difference is statistically significant and clearly shows the magnitude of differences between the two time periods.

**EXHIBIT B.1**  
**Number of Periodicals**

<u>Total Number of Periodicals</u>	<u>B</u>	
overall slope	12.02	
pre 1976	-1.58	*
post 1976	50.19	
<u>General Magazines</u>		
overall slope	8.34	
pre 1976	.97	*
post 1976	22.40	
<u>Business Magazines</u>		
overall slope	7.82	
pre 1976	-2.93	*
post 1976	23.55	
<u>Farm Publications</u>		
overall slope	1.49	
pre 1976	.37	*
post 1976	4.20	

\*  $p \leq .05$



**EXHIBIT B.2**  
**Total Circulation**

<u>CARD</u>	<u>B</u>
overall slope	15,113,823.75
pre 1976	13,477,901.06
post 1976	12,979,229.16

**EXHIBIT B.3**  
**Advertising Revenues**

<u>Total Advertising Revenues</u>	<u>B</u>
overall slope	7,694.27
pre 1976	1,419.00 *
post 1976	14,770.27
<u>General Magazines</u>	
overall slope	5,489.05
pre 1976	1,615.55 *
post 1976	10,976.71
<u>Business Magazines</u>	
overall slope	2,281.22
pre 1976	217.87
post 1976	3,186.54
<u>Farm Publications</u>	
overall slope	- 75.99
pre 1976	- 414.42 *
post 1976	607.01

\*  $p \leq .05$

**EXHIBIT B.4**  
**Per Cent Advertising Market Share**

<u>For All Magazines</u>	<u>B</u>
overall slope	-.07
pre 1976	-.26 *
post 1976	.13
<u>General Magazines</u>	
overall slope	.03
pre 1976	-.06 *
post 1976	.14
<u>Business Magazines</u>	
overall slope	-.07
pre 1976	-.14 *
post 1976	-.01
<u>Farm Publications</u>	
overall slope	-.03
pre 1976	-.05 *
post 1976	-.004

\*  $p \leq .05$

## **APPENDIX C**

**Appendix C.1 Summary of Regression Models -- Industry Level**

**Appendix C.2 Comparison of Advertising Revenues Before and  
After 1976**

## Summary of Regression Models -- Industry Level

### Description of Variables

#### Dependent Variables

TOTREVCP -- Total Advertising Revenues for all periodicals  
in 1981 dollars  
GADREVCP -- Total advertising revenues for general  
periodicals in 1981 dollars  
FADREVCP -- Total advertising revenues for farm periodicals  
in 1981 dollars  
BADREVCP -- Total advertising revenues for business  
periodicals in 1981 dollars

#### Independent Variables

TOTREVP -- Percent market share of advertising for all  
periodicals  
GADREVP -- Percent market share of advertising for general  
periodicals  
FADREVP -- Percent Market share of advertising for farm  
periodicals  
BADREVP -- Percent market share of advertising for business  
periodicals  
PREPOST -- Whether before or after C-58 legislation  
NOGMCARD -- Number of general periodicals  
TOTCRDM -- Total number of periodicals  
NOFMCARD -- Total number of farm periodicals  
NOBMCARD -- Total number of business periodicals  
GNPCPI -- Gross National Product standardised to 1981  
dollars  
PDICPI -- Personal disposable Income standardised to 1981  
dollars  
NCPCPI -- Net Corporate Profits standardised to 1981  
dollars

**EXHIBIT C.1**  
**Summary of Industry Level Regression Models**  
**Predicting Advertising Revenues**

**All Periodicals\***

Dependent Variables	B	SE	Beta
PDICPI	1.89	.157	.955
MULTIPLE R	.955		
R SQUARE	.913		
ADJUSTED R SQUARE	.906		
STANDARD ERROR	24284.70		

\* Although personal disposable income was computed as the only significant item in the model, in fact, the correlation between personal disposable income and the total number of periodicals (TOTCRDM) was so high as to make the two variables virtually interchangeable. Therefore, it does not really seem practical to attribute greater predictive power to either the economic or industry variables.

**General Periodicals**

Dependent Variables	B	SE	Beta
NOGMCARD	972.04	85.86	1.403
GADREVP	-36011.08	8904.24	-0.501
MULTIPLE R	.980		
R SQUARE	.961		
ADJUSTED R SQUARE	.954		
STANDARD ERROR	11820.27		

**Farm Periodicals**

Dependent Variables	B	SE	Beta
NOFMCARD	152.99	25.81	.846
MULTIPLE R	.846		
R SQUARE	.715		
ADJUSTED R SQUARE	.695		
STANDARD ERROR	1444.93		

# **EXHIBIT C.1 CONTINUED**

## **Business Periodicals\***

Dependant Variables	B	SE	Beta
PDICPI	.571	.064	.922
MULTIPLE R	.922		
R SQUARE	.851		
ADJUSTED R SQUARE	.840		
STANDARD ERROR	9913.18		

\* As with the model for all periodicals the high correlation between the variables of personal disposable income and number of periodicals makes them virtually interchangeable. Differentiating between the effects of economic and industry factors is again difficult.

## **APPENDIX C.2 Comparison of Advertising Revenues Before and After 1976**

	<u>Before 1976</u>	<u>After 1976</u>	<u>F</u>	<u>Significance</u>
	x	x		
All Periodicals	\$162,649	\$313,956	142.4	p .001
General Periodicals	\$ 66,465	\$170,032	115.5	p .001
Business Periodicals	\$ 79,273	\$126,465	140.9	p .001
Farm Periodicals	\$ 16,912	\$ 17,458	0.3	p .598

## **APPENDIX D**

**Appendix D.1 Advertising Revenue by Year for General  
Magazines -- 1981 Dollars**

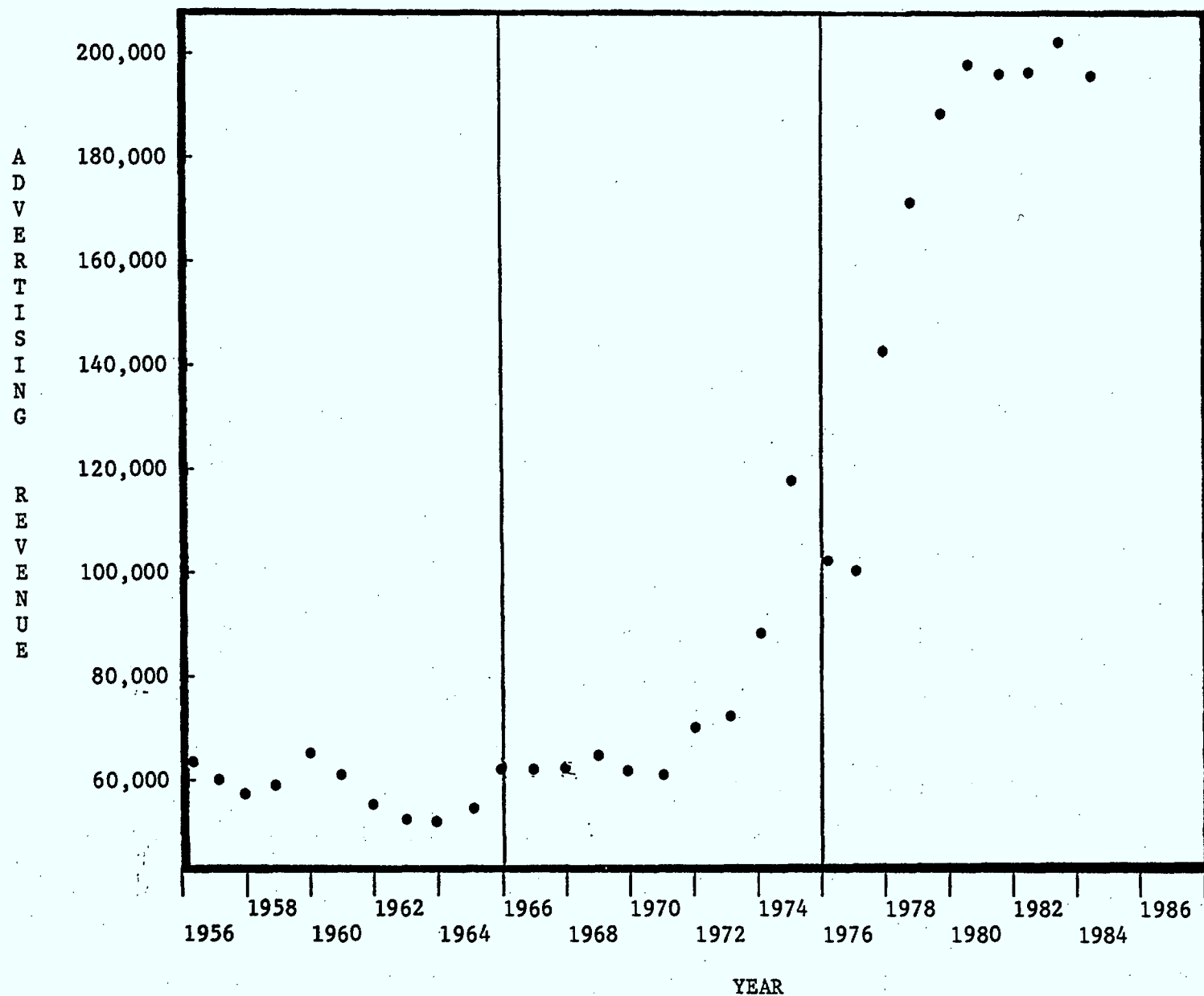
**Appendix D.2 Advertising Revenue by Year for Business  
Magazines -- 1981 Dollars**

**Appendix D.3 Advertising Revenue by Year for Farm Magazines  
-- 1981 Dollars**

**Appendix D.4 Average Annual Growth in Advertising Revenues  
in Constant 1981 Dollars by Periodical Type**

# APPENDIX D.1

## ADVERTISING REVENUE BY YEAR FOR GENERAL MAGAZINES -- 1981 DOLLARS

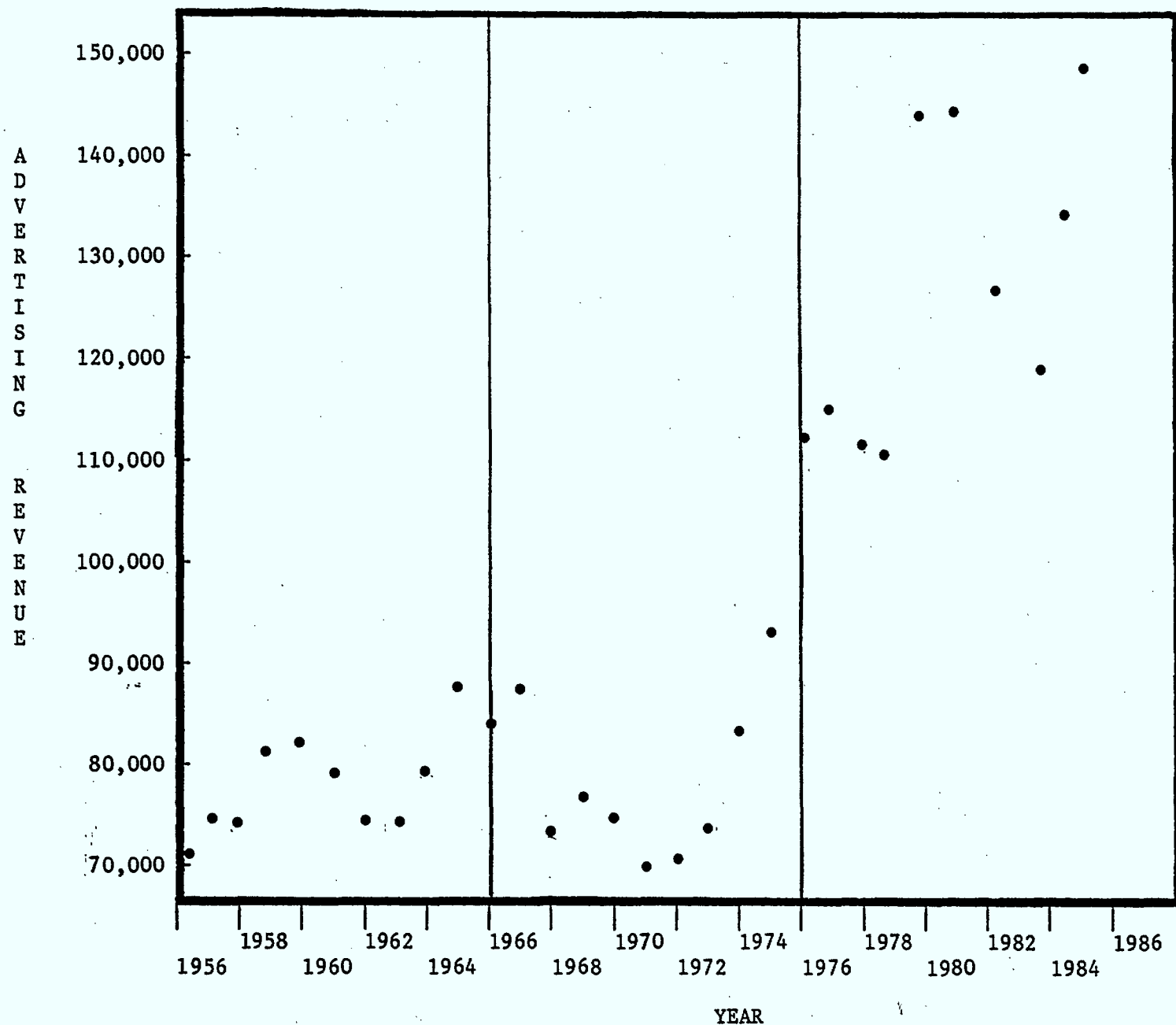


Source: Maclean-Hunter Research Bureau



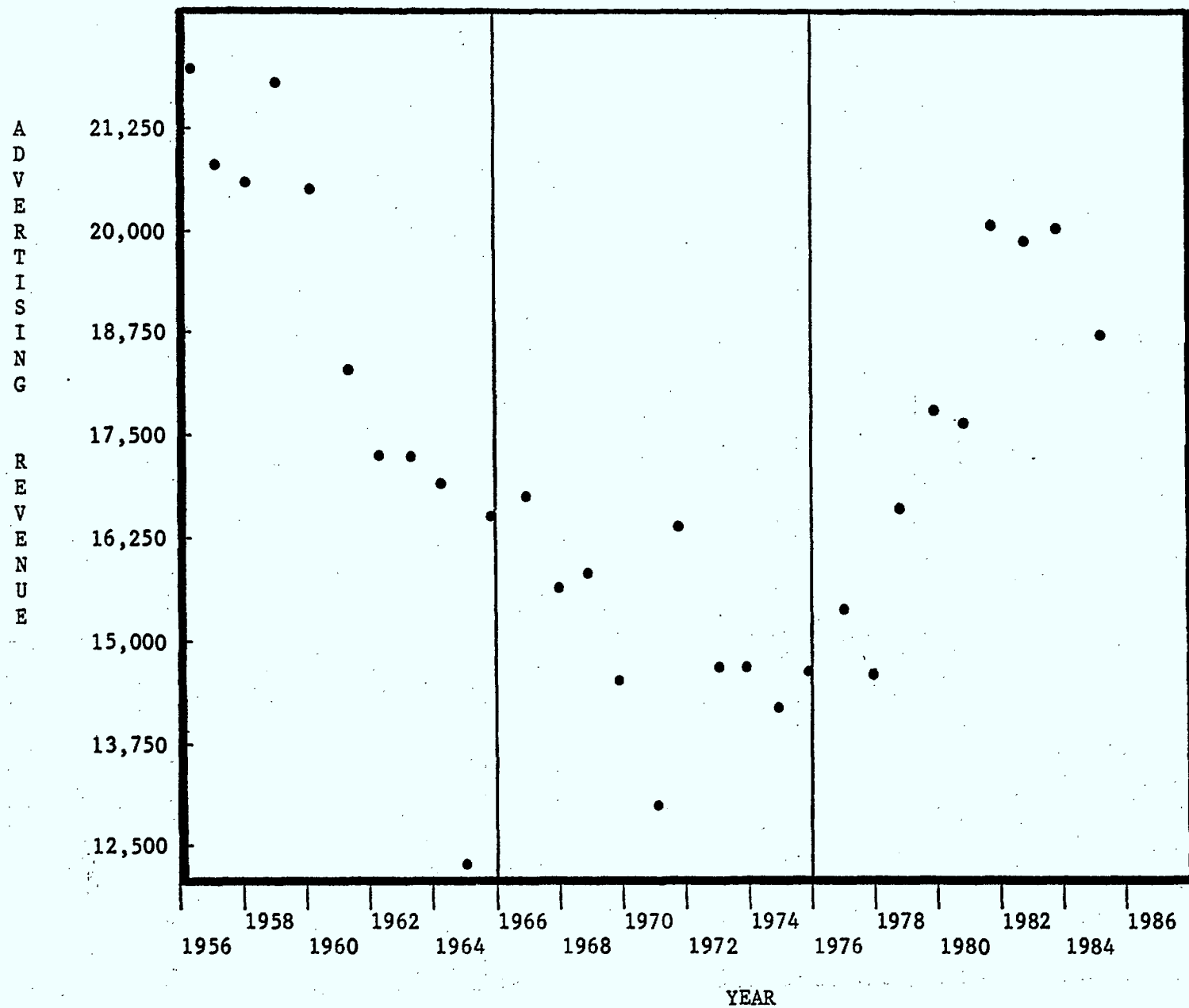
# APPENDIX D.2

## ADVERTISING REVENUE BY YEAR FOR BUSINESS MAGAZINES -- 1981 DOLLARS



Source: Maclean-Hunter Research Bureau

# APPENDIX D ADVERTISING REVENUE BY YEAR FOR FARM MAGAZINES — 1981 DOLLARS



Source: Maclean-Hunter Research Bureau

**APPENDIX D.4**  
**Average Annual Growth in Number of Periodicals**  
**by Periodical Type**

<u>Time Period</u>	<u>General Periodicals</u>		<u>Business Periodicals</u>		<u>Farm Periodicals</u>	
	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase</u>
1966-1970	+1.0	+ 3.2	-3.1	-22.8	-1.1	-0.8
1971-1975	+0.8	+ 2.6	+0.8	+ 4.4	+2.2	+1.2
1976-1980	+6.2	+21.4	+5.1	+26.0	+5.7	+3.4
1981-1986	+4.1	+18.6	+3.6	+19.6	+3.4	+2.6

## **APPENDIX E**

**Appendix E.1 Per Cent Advertising Market Share for General Magazines by Year**

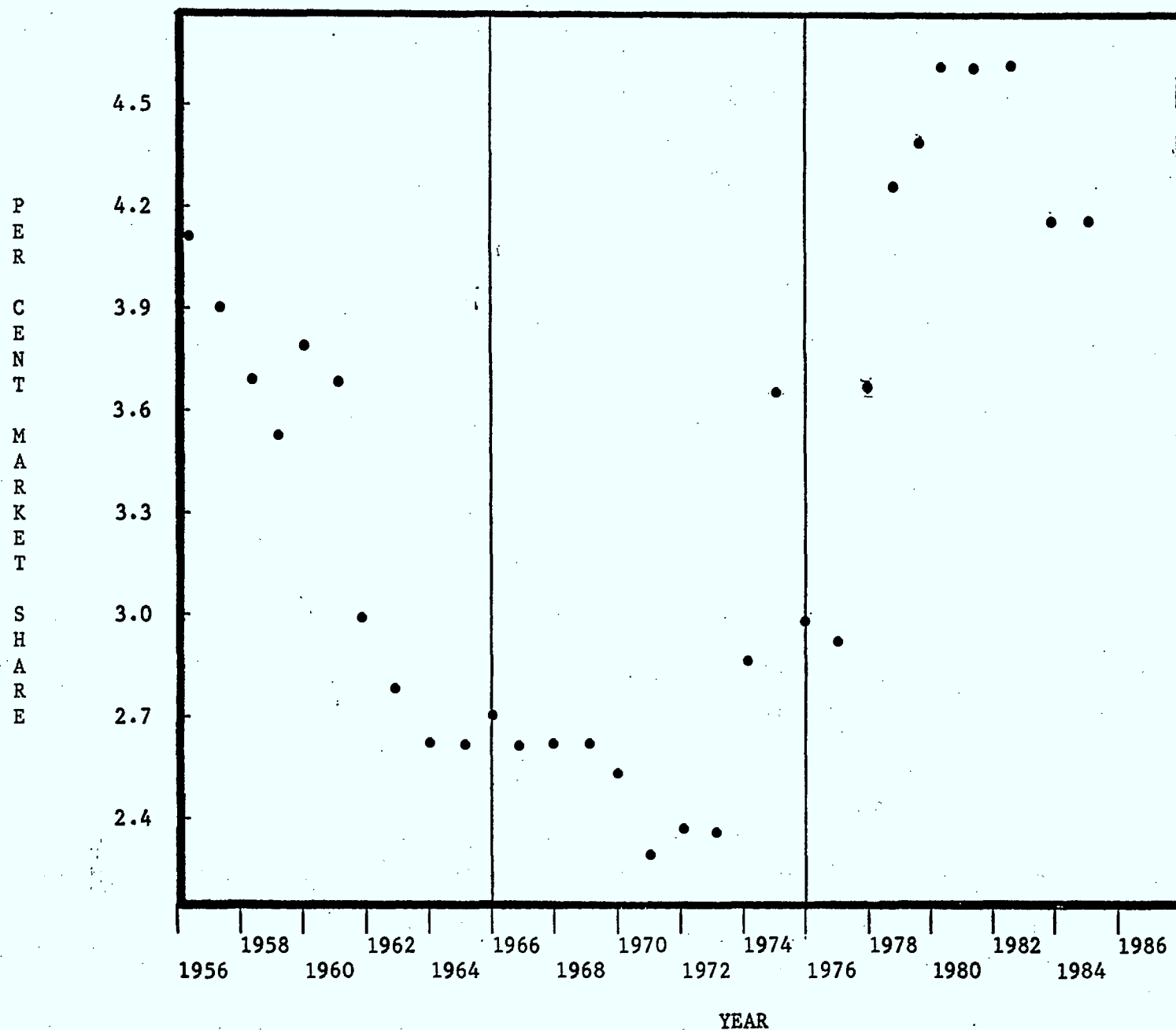
**Appendix E.2 Per Cent Advertising Market Share for Business Magazines by Year**

**Appendix E.3 Per Cent Advertising Market Share for Farm Magazines by Year**

**Appendix E.4 Average Annual Growth in Market Share of Advertising Revenues by Periodical Type**

# APPENDIX E.1

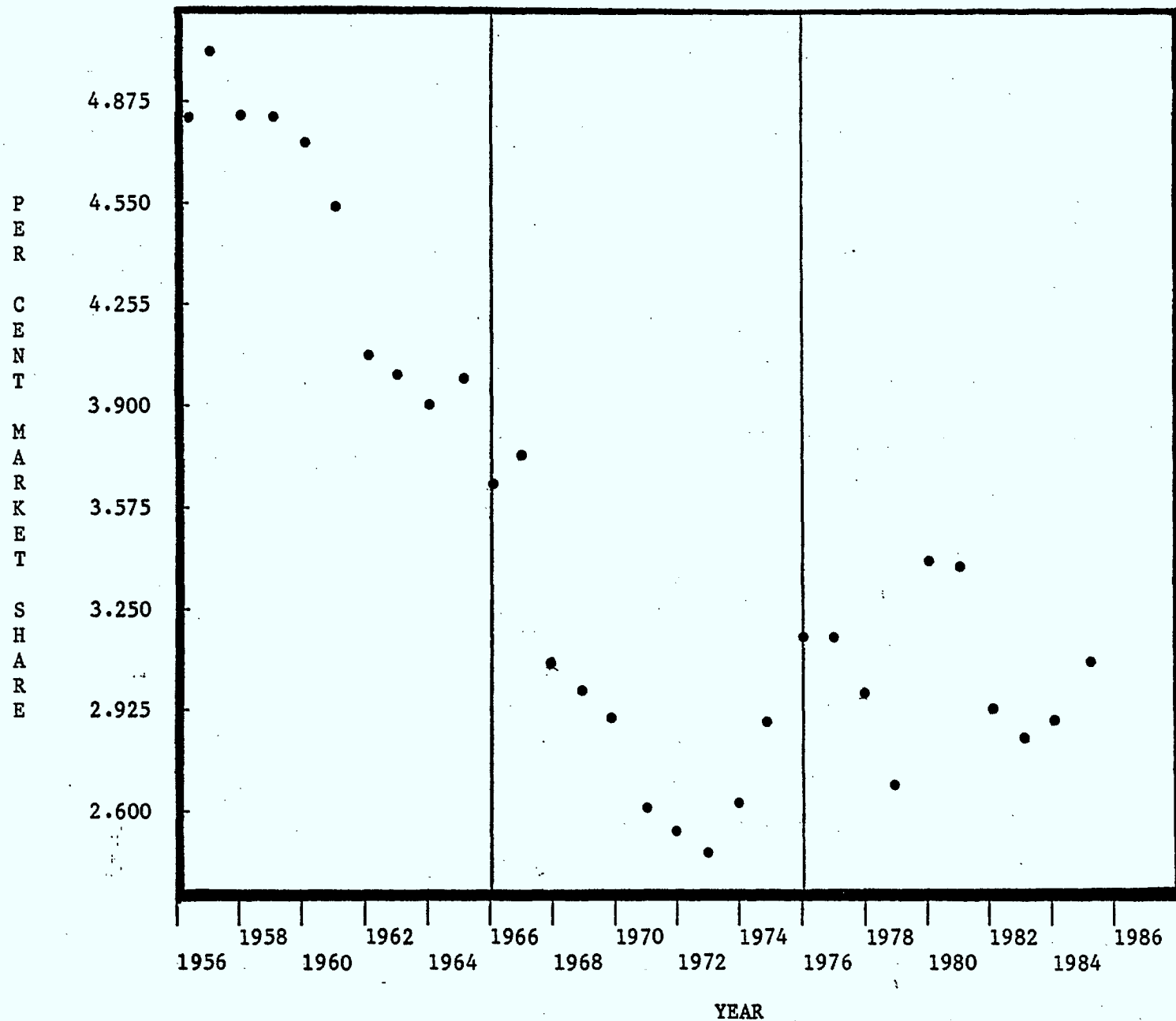
PER CENT ADVERTISING MARKET SHARE FOR GENERAL MAGAZINES BY YEAR



Source: Maclean-Hunter Research Bureau

# APPENDIX E.2

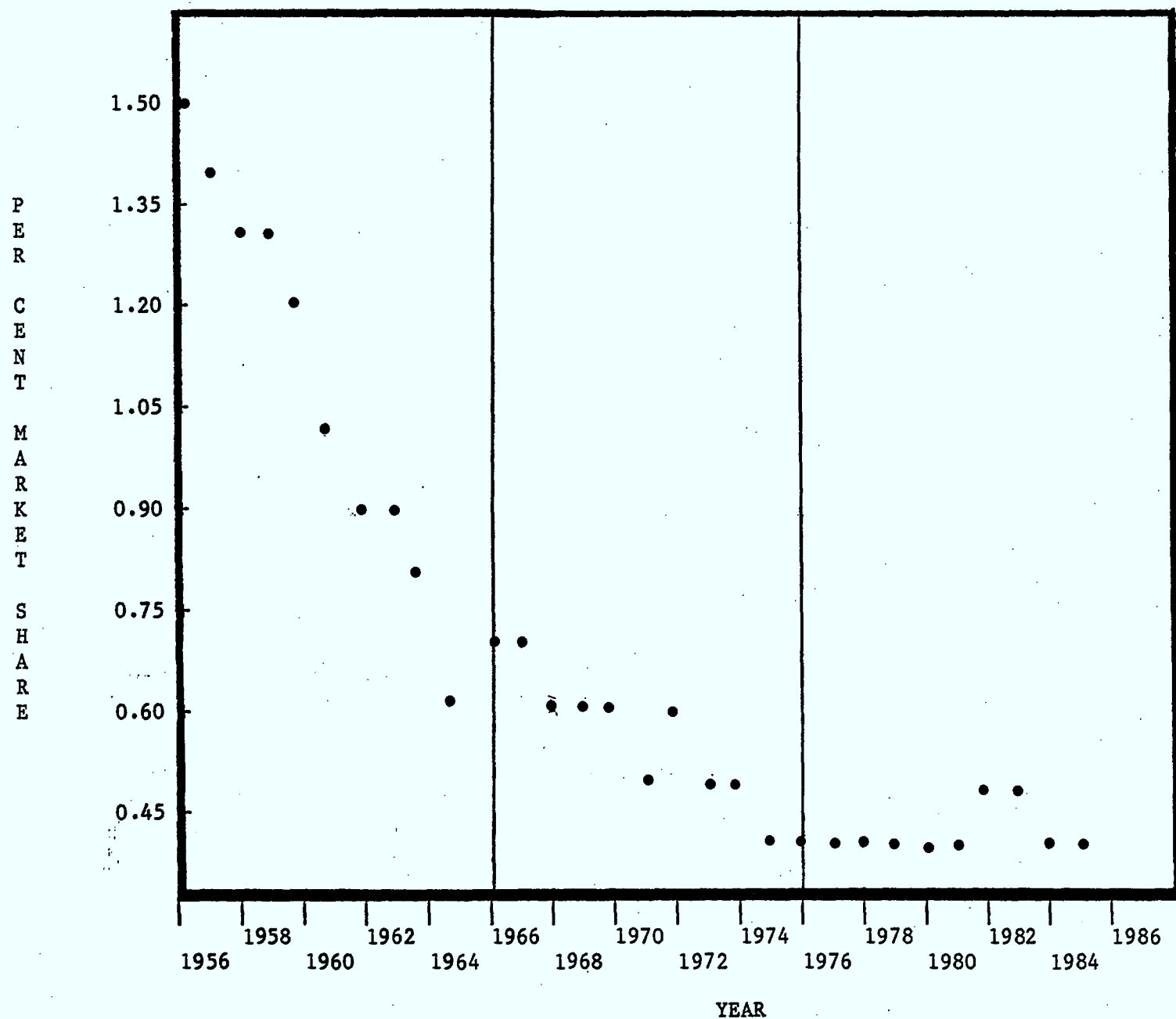
## PER CENT ADVERTISING MARKET SHARE FOR BUSINESS MAGAZINES BY YEAR



Source: Maclean-Hunter Research Bur

# APPENDIX E.3

## PER CENT ADVERTISING MARKET SHARE FOR FARM MAGAZINES BY YEAR



Source: Maclean-Hunter Research Bureau

**APPENDIX E.4**  
**Average Annual Growth in Market Share of**  
**Advertising Revenues by Periodical Type**

<u>Time Period</u>	<u>General Periodicals</u>		<u>Business Periodicals</u>		<u>Farm Periodicals</u>	
	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase in Total Market Share</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase in Total Market Share</u>	<u>Average Annual Percentage Increase</u>	<u>Average Annual Increase in Total Market Share</u>
1957-1960	- 1.8	- 0.08	- 0.5	- 0.03	- 4.0	- 0.75
1961-1965	- 6.3	- 0.24	- 2.0	- 0.14	-10.0	- 0.12
1966-1970	- 0.8	- 0.02	- 5.5	- 0.22	0	0
1971-1975	+ 9.6	+ 0.24	0	0	- 6.7	- 0.04
1976-1980	+ 3.8	+ 0.14	+ 3.4	+ 0.10	0	0
1981-1986	- 1.4	- 0.06	- 1.8	- 0.06	0	0



**APPENDIX F**

**Comparative Analysis of Rates of Change in Circulation and  
Advertising Revenues in the Periods Before and After the  
Introduction of Bill C-58 in 1976**

The slopes presented in this appendix represent the average amounts of change in a given variable which have occurred over the course of a given period of time. The objective is to compare the rates of growth in the periods before and after the legislation was introduced. These slopes represent the regression coefficients or B's.

For five of the individual periodicals we have analysed comparative rates of growth before and after the legislation for both circulation and advertising revenues. The period of time covered by the analysis is from 1970 to 1985. Canadian Geographic has not been included because gaps in the data prohibited this type of analysis. Statistically significant differences (computed at a .05 level of significance) are indicated in exhibits by the asterisks. Differences in the rates of change before and after the legislation, suggest that the legislation may have an effect.

For example, in Appendix F.4, the overall slope (i.e., average rate of growth) shown for subscription circulation for Chatelaine periodicals between 1970 and 1985 is 12,620. However, prior to 1976 this average rate of growth is modest at 6,717, while after 1976 it is very high at 23,456. This difference is statistically significant and clearly shows the magnitude of differences between the two time periods.

Note: The pre and post 1976 slope coefficients will not sum to the coefficient for the overall slope. This is because the calculation of the slope also involves the determination of a point of intercept with the horizontal (i.e., year) axis. The calculation for the actual value of the overall change therefore requires adding (or subtracting) the value of the intercept to the product of the number of years multiplied by the coefficient.

**APPENDIX F.1**  
**Time Magazine**

**Subscription Circulation**

B

overall slope	-13,391
pre 1976	1,348 *
post 1976	- 8,098

**Single Copy Sales**

overall slope	- 606
pre 1976	3,158 *
post 1976	- 438

**Advertising Revenue (in \$1,000's)**

overall slope	- 510.0
pre 1976	-1,708.9 *
post 1976	1,064.8

\*  $p \leq .05$

APPENDIX F.2  
Reader's Digest

Subscription Circulation

B

overall slope	11,914	
pre 1976	4,260	*
post 1976	21,295	

Single Copy Sales

overall slope	- 2,172	
pre 1976	4,004	*
post 1976	- 5,420	

Advertising Revenue (in \$1,000's)

overall slope	- 144.3
pre 1976	- 355.4
post 1976	- 82.2

\*  $p \leq .05$

APPENDIX F.3  
Maclean's

<u>Subscription Circulation</u> <sup>1</sup> (per issue)	<u>B</u>
overall slope	- 6,553
pre 1976	- 867 *
post 1976	- 3,893
<u>Single Copy Sales</u> (per issue)	
overall slope	- 2,984
pre 1976	- 1,166 *
post 1976	- 3,667
<u>Advertising Revenue</u> (in \$1,000's)	
overall slope	1,134.9
pre 1976	591.0 *
post 1976	1,033.6

<sup>1</sup> These circulation figures reflect the changes in per issue circulation only. They do not reflect the important changes to overall (i.e., annual) circulation.

\*  $p \leq .05$

APPENDIX F.4  
Chatelaine

Subscription Circulation

B

overall slope	12,620	
pre 1976	6,717	*
post 1976	23,456	

Single Copy Sales

overall slope	1,830	
pre 1976	- 325	*
post 1976	2,162	

Advertising Revenue (in \$1,000's)

overall slope	609.8	
pre 1976	33.4	*
post 1976	880.2	

\*  $p \leq .05$

**APPENDIX F.5**  
**Saturday Night**

**Subscription Circulation**

	<u>B</u>	
overall slope	2,514	
pre 1976	- 4,539	*
post 1976	12,674	

**Single Copy Sales**

overall slope	15	
pre 1976	- 178	*
post 1976	- 2,640	

**Advertising Revenue (in \$1,000's)**

overall slope	113.8	
pre 1976	- 55.4	*
post 1976	- 76.4	

\*  $p \leq .05$

**APPENDIX G**  
**Periodical Level Regression Analyses**



## **Summary of Regression Models -- Periodical Level of Analysis**

### Description of Variables

#### Dependent Variables

CDOLLARS -- Total annual advertising revenue inflation  
adjusted to 1981 dollars

#### Independent Variables

ANNPRIC2 -- Annual subscription price (inflation adjusted)  
SINPRIC2 -- Single copy price (inflation adjusted)  
BWPAGE1 -- Price of black and white full page ad (inflation  
adjusted)  
COLPAGE1 -- Price of four colour page ad (inflation  
adjusted)  
TOTCIRC -- Total circulation  
PREPOST -- Dummy variable (0 for pre 1976; 1 for post 1976)  
for legislative intervention in 1976)

#### Note:

The regression models presented were computed using a combination of forced entry and stepwise techniques. We initially forced our dummy variable which differentiates between the pre and post legislative period (PREPOST), with the remaining variables being entered in a stepwise fashion. The rationale for using forced entry is twofold. Firstly, the main focus of the study is to assess the impact of the legislation; therefore, we are specifically interested in determining the predictive power of the legislation. This is facilitated by forcing the variable into the regression in cases when it would not have been entered by the stepwise model. Secondly, due to the high levels of correlation between the independent variables, it is quite likely that significant variables entered into the model may overshadow equally significant variables which are excluded from the model. This problem arose when we initially specified the individual level regression model without employing forced entry. Our dummy variable PREPOST, was often omitted even though it is capable of explaining a large proportion of the variation.

Macro-economic variables have not been included in this analysis.

APPENDIX G.1  
Time  
 Regression Model Predicting Advertising Revenue

Independent Variables	B	SE	Beta
PREPOST	-11494291.08	1559965.93	-1.14
TOTCIRC	-19.82	8.36	-.37
MULTIPLE R	.872		
R SQUARE	.760		
ADJUSTED R SQUARE	.744		
STANDARD ERROR	2505095.11		

APPENDIX G.2  
Maclean's  
 Regression Model Predicting Advertising Revenue

Independent Variables	B	SE	Beta
PREPOST	3078949.17	1318936.29	.28
TOTCIRC	-77.18	13.08	-.70
MULTIPLE R	.946		
R SQUARE	.894		
ADJUSTED R SQUARE	.887		
STANDARD ERROR	1841832.75		

APPENDIX G.3  
Canadian Geographic  
 Regression Model Predicting Advertising Revenue

Independent Variable	B	SE	Beta
PREPOST	137046.57	49384.55	.586
MULTIPLE R	.582		
R SQUARE	.339		
ADJUSTED R SQUARE	.295		
STANDARD ERROR	97162.99		

**APPENDIX G.4**  
**Chatelaine**  
**Regression Model Predicting Advertising Revenue**

Independent Variable	B	SE	Beta
COLPAGE1	-15967.17	2579.71	-.77
MULTIPLE R	.772		
R SQUARE	.596		
ADJUSTED R SQUARE	.580		
STANDARD ERROR	2135557.16		

APPENDIX G.5  
Saturday Night  
Regression Model Predicting Advertising Revenue

Independent Variables	B	SE	Beta
PREPOST	571244.17	115075.36	.537
SINPRIC2	617244.95	135926.67	.491
MULTIPLE R	.966		
R SQUARE	.932		
ADJUSTED R SQUARE	.923		
STANDARD ERROR	145612.93		

## **APPENDIX H**

### **Results of Analysis of Variance of Advertising Revenues Before and After the Introduction of Bill C-58**

**APPENDIX H**  
**Results of Analysis of Variance of Advertising Revenues**  
**Before and After the Introduction of Bill C-58**

		<u><math>\bar{x}</math></u>	<u>F</u>	<u>Significance</u>
<u>Chatelaine</u>	Pre 1976	13,559,074	22.602	.000
	Post 1976	17,951,413		
<u>Saturday Night</u>	Pre 1976	702,310	99.520	.000
	Post 1976	1,639,818		
<u>Canadian Geographic</u>	Pre 1976	34,430	11.30	.003
	Post 1976	211,499		
<u>Maclean's</u>	Pre 1976	8,635,536	99.30	.000
	Post 1976	18,408,830		
<u>Reader's Digest</u>	Pre 1976	12,422,743	1.36	.252
	Post 1976	11,888,719		
<u>Time</u>	Pre 1976	19,695,090	74.76	.000
	Post 1976	11,197,860		



**APPENDIX I**

**Yearly Advertising Revenues for Selected Periodicals:  
1970 through 1985**

**APPENDIX I**  
**Yearly Advertising Revenues for Selected Periodicals: 1970 through 1985**

<u>YEAR</u>	<u>CANADIAN GEOGRAPHIC</u>	<u>CHATELAINÉ (ENGLISH)</u>	<u>MACLEAN'S</u>	<u>READER'S DIGEST</u>	<u>SATURDAY NIGHT</u>	<u>TIME</u>
1970	--	\$13,081,781	\$ 7,863,620	\$11,342,246	\$ 832,215	\$20,930,122
1971	--	12,714,524	6,766,057	12,547,161	664,630	19,034,777
1972	--	13,999,943	9,372,229	14,639,414	712,946	19,912,054
1973	--	14,586,910	9,170,263	12,901,099	631,468	20,323,317
1974	\$ 27,335	12,997,593	9,301,534	12,434,294	337,339	20,493,801
1975	41,525	13,973,696	9,339,516	10,672,545	670,296	17,475,465
1976	47,407	12,888,186	11,689,234	9,594,385	1,136,258	5,822,232
1977	94,607	12,879,362	14,165,091	10,641,080	1,827,748	5,855,851
1978	127,119	15,162,494	16,594,062	12,301,183	1,824,392	9,316,265
1979	154,673	17,962,201	17,828,118	13,174,535	1,938,791	10,860,968
1980	220,478	18,794,266	18,942,168	13,348,035	1,431,682	11,131,933
1981	344,035	20,880,234	20,447,422	12,858,514	1,680,038	12,417,394
1982	371,459	21,086,174	21,171,695	12,267,719	N/A	13,347,959
1983	238,190	21,320,196	19,979,560	12,228,716	N/A	13,131,062
1984	339,901	21,056,415	23,663,794	12,999,111	N/A	16,040,891
1985 <sup>2</sup>	224,045	19,454,848	21,718,879	10,432,929	N/A	15,321,622

<sup>1</sup> All figures expressed in 1981 dollars.

<sup>2</sup> 1985 Advertising Revenues only cover an 11 month period, January through November.

Source: MAGAZINES CANADA



## APPENDIX I-I

**Comparative Growth in Periodical Advertising Revenues  
and Key Economic Indicators**  
(Figures presented are actual dollars not adjusted for inflation)  
(In Millions)

<u>YEAR</u>	<u>ADVERTISING REVENUES</u>	<u>NET CORPORATE PROFITS</u>	<u>PERSONAL DISPOSABLE INC.</u>	<u>GROSS NATIONAL PRODUCT</u>
1985	460		323401	
1984	438	60459	299903	420870
1983	388	43336	275806	389844
1982	372	34057	262785	358302
1981	361	51258	237682	339797
1980	312	51723	203653	297556
1979	240	46201	179852	264279
1978	198	33556	159466	232211
1977	160	25777	141374	210189
1976	148	24385	128239	191857
1975	135	23290	113321	165343
1974	100	23890	96404	147528
1973	79	16980	81747	123560
1972	71	11553	69856	105234
1971	61	11160	61147	94450
1970	68	9651	55616	85685
1969	63	10132	52305	79815