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Evolution of Canadian
Concessionary Postal Tariffs
and their Classification Structure

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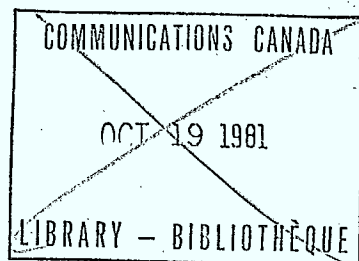
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1.0 INTRODUCTION

Concessionary postal tariffs have always been an area of special concern and controversy in Canada's postal history. Although the issue is not highly visible to the public eye, dealing with concessionary rates and classification structures for second class and associated categories of mail has been difficult for the Canada Post Office. Much has been written about this topic in the form of Post Office studies, proposals and memoranda, letters and submissions from publishers, legislative proposals, and reports from government inquiries and commissions. Ironically, no recent attempt has been made to summarize this information in a comprehensive and integrated manner.

1.1 Responsibility for Concessionary Postal Categories: The Memorandum of Agreement

Responsibility for concessionary postal categories has, until 1978, rested with the Post Office. For years prior to that date, however, recommendations had been made to help offset the Post Office Department deficit by making the losses incurred on concessionary categories the direct responsibility of Parliament or another government agency whose aims were served by low cost mailing privileges. On September 21, 1978 a memorandum of agreement was signed by the Postmaster General and the Secretary of State concerning the Cabinet decision regarding the transfer of responsibility for the subsidization of losses incurred through concessionary publishers' rates. The complete list of transfer categories includes the following:

- 1) Second class publications (statutory and regulatory);
- 2) Publisher's book rate matter;
- 3) Unaddressed publications;
- 4) Records;
- 5) Third class addressed publications;
- 6) Library book rate matter;
- 7) Educational Film Rate Matter.

On August 1, 1980 the Arts and Culture Branch of the Secretary of State was transferred to the Department of Communications and the Memorandum of Agreement now applies to the Minister of Communications. In light of their new responsibilities with the Department of Communications, the Arts and Culture Branch has commissioned this study on the evolution of Canadian

concessionary postal tariffs and their classification structure to consolidate and supplement the existing information required for future policy decisions.

1.2 Concessionary Postal Categories

Four of the seven transfer categories are under review here: second class publications (statutory and regulatory), publishers book rate matter, educational film rate matter and library book rate matter.

1.2.1 Second Class Publications

Second class publications are the most important, in terms of volume, revenue or almost any other criterion, of the concessionary rate categories under study. Magazines and periodicals with concessionary rates are defined as second class either by the Post Office Act or by departmental regulation. The Post Office Act prescribes statutory rates for newspapers and periodicals meeting certain conditions of which the two most important are:

- 1) The publication must be known as a newspaper or periodical and consist wholly or in part of political or other news;
- 2) The publication must be addressed to a bona fide subscriber or newsdealer in Canada.

Publications which meet these two criteria are the main category of second class mail. Publications not meeting all the second class criteria are subject to rates set by regulation, the basic rate being called the "ordinary" second class rate. Second class mail is really a collection of classes, groupings and categories for which it is difficult to give a precise definition. Its broad base is often considered to defy definition when coupled with constant change in departmental regulations.¹

1 "A Study of Second Class Mail", Canada Post Office, July, 1963, p. 2.

1.2.2 Publishers Book Rate Matter

Effective November 1, 1968 a separate classification was established for books. With regard to book mailings, "this category embraces bound books consisting of reading matter and containing no advertising other than incidental announcements of books. It will be restricted to mailings by publishers, book clubs and wholesale and retail distributors. Excluded will be catalogues and price lists, street, telephone or trade directories, business, commercial, technical or stock listings, photo or stamp albums, diaries and unbound books or parts thereof."²

The publishers book rate category is currently important not only because the volume is considered substantial (although no precise figures are kept), but also because of United States competition with Canadian publishers; an issue which will be discussed later on. Also, losses on a per piece basis are assessed to be larger for books than for second class material.

1.2.3 Educational Film Rate Matter

Educational film rates and the fourth category, library book rates are two categories which the Post Office would like to relate. There is a structural similarity in that postage for both applies to both the sending and return of material. Both of these areas are funded by the provincial governments so there is an indirect subsidy from the federal to provincial governments. The educational film rate applies to films that are mailed in Canada between provincial departments of education and schools within the province of mailing. It is the only comparable service to the library book rate.

1.2.4 Library Book Rate Matter

The conditions for admissibility of library books to a reduced rate are:

"books consisting wholly of reading matter and containing no advertising matter, circulating between recognized public libraries, university libraries, libraries maintained by organizations or associations not organized for profit, and their patrons in Canada."³

2 Letter from Eric Kierans, Postmaster General, to G.A. Ramsay, President, Canadian Booksellers' Association, dated October 8, 1968; found in Book Rates Study, U.S.A. and Canada, Canada Post Office.

3 Letter from F. Pagean, Director of Postal Rates and Classification, to the Deputy Postmaster General, dated January 27, 1967.

Although not a large postal category in terms of volume, library books, like educational films, have since the 1930's been given concessionary postal tariffs.

1.3 Approach to the Study of Concessionary Postal Tariffs

The overall aim of the report is to document, in a comprehensive and integrated manner, the historical evolution of concessionary postal tariffs in Canada. In view of the complexities of concessionary rate and classification structures, this requires simplification and generalization of the numerous issues, positions and arguments of interest groups, and synthesis of the voluminous documentation into comprehensible patterns.

The basic approach followed in this report rests on an examination of concessionary postal tariffs in terms of the issues - both of a general policy and of a specific rate and classification nature - and of the economic, political and socio-cultural influences, effects and impacts which can be differentiated. The intention to discuss these aspects of the question of concessionary postal tariffs in Canada takes its cue from the 1961 Report of the Royal Commission on Publications. In the introductory chapter on communications, which establishes the scope of the inquiry, the authors describe how during the course of the inquiry, the Commission was urged to found its inquiry on purely economic grounds. Their response was as follows:

"This has not been possible because, while many of the problems faced by Canadian periodicals are economic, the nature of modern communications is such that its effects carry enormous social and political, as well as economic implications...the cultural and economic are virtually inseparable,⁴ and neither can provide a complete perspective in itself."

This report will seek to follow a similar approach and wherever possible will document all major issues, influences, effects and impacts of the concessionary rate problem.

4 The Report of the Royal Commission on Publications, Queen's Printer, Ottawa, 1961, p.3.

The purpose of the remaining part of this section is to highlight major aspects of the general policy issues for the Post Office, the government, the users or publishers, and the public; and specific rate and classification issues with respect to concessionary postal tariffs. This will provide background information and establish the context for the later chapters.

1.3.1 General Policy Issues

1) The Post Office as Business or Public Service

This issue has been dominant as a basic question of Post Office philosophy from the beginning. In the early days, the Post Office was regarded more as a public service while in the modern era policy has tended to provide a blend of the two positions. Each alternative provides for radically different goals. If the Post Office is a public service, then objectives and efficiency are defined in terms of the public interest, while if a business, then efficiency is defined as maximum feasible service at minimum cost and maximum revenue. Almost all studies and debates regarding rate and classification changes have somehow involved the conflict between these two opposing operational philosophies.

2) The Question of Subsidies

The debate about subsidies is to some extent a subset of the first issue. However, the first issue is so broad that the question of subsidies certainly merits attention on its own. The basic question is whether rate concessions are subsidies, and if so to whom; publishers, readers or to all postal users. The publishers, or at least representatives of the press, believe it would be a dangerous precedent for the freedom of the press to consider that rate concessions are subsidies from the government to the publishers. They contend that historically, both the Post Office and the government have considered the readers to be the beneficiaries of postal rate concessions.

A concern of the Post Office is whether subsidies should be tied to postal rates and classification procedures or not. In other words, should subsidies be direct or indirect through concessionary postal rates? If a

certain organization (e.g. publisher, consumer group, or association) is in need and deserving of a subsidy, should the Post Office be asked to cover the cost? A current Post Office view gives a sample of one side of the debate:

"The Post Office is ill-equipped to pass judgement on requests for subsidization. The longer term strategy obviously should be to shift such responsibility to another government department or agency whose business it is to allocate such funds."⁵

A further complication of this issue is whether subsidies through concessionary rates should be extended to specific organizations or not. The Postmaster General does in fact have the authority to give special rates to specific organizations which might be considered to be deserving of financial assistance, e.g. charitable, church or farm organizations, and he is often under pressure to do so. However, there are legal implications which make such actions difficult. If a non-profit charitable or voluntary organization, for example, receives preferred rates, then do the 43,000 other such organizations in Canada deserve them? Finally, we have the further question of whether the consumer or the publisher is actually the beneficiary of concessionary postal rates.

3) Access to Information

This general issue has many sides to it. On the one hand there is the question of whether the government has a responsibility to provide free and easy access to information for all Canadians. On the other hand, should postal concessions be used to facilitate such access? In recent years, there has been some debate as to whether the government can directly or indirectly control or create an official bias in the Canadian print media through an unjust application of concessionary postal tariffs. Another question of recent years has been whether the government has responsibility to promote the growth of the Canadian publishing industry and Canadian content in the domestic print media through the use of postal subsidies.

5 Canada Post Office Rate Proposal A-101, Section 20, September, 1977.

1.3.2 Classification and Rate Issues

1) Mailing Privileges for Non-Canadian Publishers

This issue represents the conflict over the relative merits of giving rate concessions only to Canadian publications and of giving preferential rates to non-Canadian publications distributed in Canada as well. Canadian publishers have almost invariably argued for the exclusion of foreign publications from the benefits of postal subsidies, while historically, certain government sectors have successfully tended to support giving them to certain foreign publications, particularly Time and Reader's Digest, because of the contribution they have made to the Canadian economy. Two major categories have existed for non-Canadian publications with Canadian postal distribution; a mailed-in-Canada rate was established in the early 1900's for foreign subscription publications published outside of Canada, and a printed-in-Canada rate was established in 1968 following Income Tax legislation for publications published but not owned in Canada which otherwise met second class statutory criteria.

2) Separate Rates for Advertising and Editorial Content

The debate on this issue concerns whether advertisers operate in the free market and thus can and should pay their own way or whether the advertising content of publications is as important a source of information to the reader as is editorial content. Differential rates for advertising and editorial content have at times reflected the difficulty that publishers have had in convincing the Post Office and the government that advertising and editorial content are both integral to a paper and should be treated on an equal basis.

3) Association Publications vs. Independent Publications

The Post Office Act excludes most association publications, i.e. those publications published by an organization whose major activity is not publishing, from receiving the preferred second class rates while independent publications which meet the relevant criteria receive them. This, of course, has caused a great deal of protest from various associations, who have been encouraged in recent years by judicial decisions and appeals in their favour.

4) Subscriber vs. Non-Subscriber Rates

The necessity of a subscription list has always been a criterion for receiving statutory second class rates while those publications, or portion of a publications' circulation without subscriptions which would otherwise qualify, have been subject to rates set by ministerial regulation. The existence of differences has caused some controversy.

5) Addressed vs. Unaddressed material

Traditionally, only addressed newspapers and periodicals have met the criteria for second class mail. In the last dozen years or so, however, controlled circulation and mass distribution magazines and paper publishers have been pressuring the Post Office and government to allow them to qualify for second and not third class mail. They believe their unaddressed mail policy to be a legitimate one which should be given the same mailing privileges as addressed subscription magazines.

6) Free Mailing Privileges

The free transmission of newspapers and periodicals originated with the government's desire to encourage the dissemination of news to all parts of Canada. Although this practice did not long exist in its strongest form, the free transmission of publications meeting certain conditions has continued until the present day. The criteria for establishing these conditions constitute the crux of this issue.

1.4 Scope, Purpose and Limitations of the Report

This report seeks to document the main factors, philosophy and rationale which have influenced the historical evolution of concessionary postal tariffs in Canada and the classification structures for: (a) second class statutory and regulatory publications; (b) publishers book rate matter; (c) educational film rate matter; and (d) library book rate matter. While the topic will be examined from the time of Confederation, particular emphasis will be placed on the several changes and new developments that have taken place between 1968 and 1978.

More specifically, the successful completion of the objectives detailed in the terms of reference for this report requires:

- (1) A discussion of the rate and class history with analytical comments; such as the relative rate relationship among the categories and subcategories of mail;
- (2) An assessment of the impact of various classification or rate changes, where these have been documented;
- (3) Documentation of the arguments of various pressure groups which influenced the Post Office in developing the classification policy and rate structures, and the reaction of the Post Office to these arguments.
- (4) Presentation of the arguments in House of Commons Debates, briefs submitted to the Davey Senate Commission, the O'Leary and Glassco Commissions, a discussion of the major recommendations and their impact on the development of classification and rate policies;
- (5) A summary of major recommendations of research studies conducted by or for the Post Office, and their influence on classification policy and rate structures;
- (6) An assessment of the impact of the decision by the Post Office to exclude certain publications from concessionary rates;
- (7) A summary of various rate and classification proposals considered by the Post Office, but later rejected, and documentation of the reasons for rejection or alteration; and finally,
- (8) Provision of complete references of the material used.

The report is intended as a reference document for an informed audience. Hence, its scope is meant to be comprehensive of the many aspects of the topic rather than present an exhaustive treatment of a particular issue. The report furthermore assumes a familiarity, on the part of the reader, with postal classification and rate structures and a general knowledge of the history of major changes in the Post Office.

A great deal of the voluminous Post Office files, Commission reports and other documents that were examined during the preparation of this report were found not to have a direct bearing on concessionary rates. Consequently, to enhance the documentary nature of this report, bibliographic references will be limited to documents actually used. Whenever possible, the actual postal files which contain a particular and relevant document will be referenced. This facilitates access by the interested reader to information on the intricacies of a given issue on concessionary rates which are beyond the scope of this report.

1.5 Structure of the Report

The report is organized into eight sections which deal chronologically with the evolution of concessionary postal tariffs. The first section of the report defines the scope, objectives and limitations of the study and provides a discussion of the approach used for the study of concessionary postal tariffs to simplify the complexities of postal rate and classification structures. The section also provides an overview of the four categories of concessionary rates and their significance, of the general policy issues, and of the specific classification and rate issues. These issues, when related to economic, political and socio-cultural influences, effects and impacts define the context within the historical evolution of concessionary postal tariffs in Canada must be viewed.

Sections two through five comprise Part I of the report dealing with newspapers and periodicals. The second section is a history of concessionary postal tariffs and classification structures in Canada from Confederation until 1968. The discussion will focus on the major events, the reasons for change and the emergence of new problems after World War II. As well, the government's response to the changing postal situation through official inquiries and studies will be documented, along with their impact.

Section three serves to clarify the context within which the major changes to concessionary rates must be viewed. It establishes the general conditions as well as the positions and arguments of the major pressure groups and actors in regard to the important issues. Section four outlines the major postal changes in 1968 and their impact as well as examining the major reasons for the changes.

Section five deals with rate and classification changes from 1970-1978 for second class mail. There is also a discussion of rate and classification proposals that were rejected or revised; and a discussion of the special case of rate hikes authorized under the Financial Administration Act. Section five explores the impact of the recent rate changes on the Post Office, the government and the publishers.

Sections six through eight comprise Part II of the report dealing with the relevant concessionary categories other than second class. Section six deals with publishers' books, section seven with library books, and section eight with educational films. The conclusions follow.

PART I - NEWSPAPERS AND PERIODICALS

2.0 THE HISTORY OF CONCESSIONARY POSTAL TARIFFS AND CLASSIFICATION
STRUCTURES IN CANADA TO 1968

Many of today's concerns and issues regarding concessionary postal tariffs and classification structures have their antecedents in the period prior to Confederation. The issues and problems of concessionary postal categories and rates have evolved over time with much of the debate in the modern era being a function of what has been inherited from the past. It was only in 1968 that major changes were made for the first time in many years and these changes initiated a new period for the Post Office.

2.1 Rates and Rate Structure

The Post Office operates with rates set in one of two ways. Statutory rates are legislated by Parliament and are beyond the direct control of the Post Office. Statutory rates are generally set on a weight basis and are expressed in ¢/pound. The Post Office can set rates by regulation for mail which does not meet the criteria for second class mail set in the Post Office Act. These rates are generally set on a per piece basis and are based on weight step tariffs.⁶

2.2 Inheritance from the pre-Confederation Period⁷

The British Postal Act of 1710 granted control of the postal systems in all British colonies to the Postmaster General of England. Newspaper publishers, however, were free to use any available means of distribution.

In 1851 the Imperial Post Office transferred control of colonial postal services to the individual colonies, stipulating that each province could set postal rates within its boundaries. By 1855 all four colonies which were to join in Confederation had abolished postal rates on newspapers.

2.3 1867 - 1951

In 1867, an act of the first Dominion Parliament established the Canadian Post Office on a national basis. The Postmaster General at that time

6 From "A Study of Second Class Mail: Section I - Rates and Rate Structure", July, 1963, Canada Post Office, Planning and Special Projects Branch. No precise volume figures were kept before 1968.

7 Canadian Daily Newspaper Publishers' Association brief re: Post Office Crown Corporation, October 1979.

attempted to impose a high postal tariff on newspapers. There was considerable press opposition to the change from free distribution, however, and the Postmaster General was forced to modify his bill to include only a modest tariff on newspapers. In 1867, the quarterly postal rate collected by the publisher from the subscriber was 5¢ for weeklies, 15¢ for bi-weeklies and 30¢ for dailies.⁸

After 1867, successive governments continued a policy of giving concessionary postal rates to second class mail. It was the government's desire to encourage the dissemination of news to all parts of Canada, both for educational purposes and to solve political problems. The rebellion of Louis Riel, for instance, was an event which the government did not wish to happen again; and it was believed that a wide distribution of information about political and economic opportunities would prevent any such occurrence. Public pressure to maintain the traditional low rates was also a constant factor.

In 1875 the Postal Act was passed and the separate rates for newspapers and periodicals were abolished and a common rate was set. Frequency of issue was used to establish rates, with publications issued more frequently than monthly receiving lower rates. The rate was lowered to 1¢ per pound. Also, collection of postage from the addressee by publishers was discontinued in 1875 as the requirement of prepayment to the Post Office made this impractical. Publishers began to include postage fees in subscription rates. Table 1⁹ shows the development and history of postal rates for the various second class categories from 1875 until 1951. In Appendices 1-3, similar figures (to 1979) can be seen in the Rates of Postage Charts, supplied by the Post Office Department, Rates and Classification Division, Ottawa.

In 1882 the delivery fee for newspapers was eliminated, all charges were discontinued and the free transmission of mail was established except for

8 Figures from the Canadian Daily Newspaper Publishers' Association brief re: Post Office Crown Corporation, October, 1979, p. 2.

9 From "A Study of Second Class Mail", Planning and Special Projects Branch, Canada Post Office, July, 1963.

TABLE 1: RATE COMPARISONS FOR STATUTORY CATEGORIES AND MAILINGS TO OTHER COUNTRIES

Mail Category	Circulation	1875	1882	1889	1899	1903	1908	1920	1927	1931	1933	1951
Free of Postage			Published at least monthly; addressed to points anywhere in Canada, outside place of publication.	-----	Weeklies & monthlies*: within 20 miles of publication, or circular area (diameter 40 miles), unless by Letter Carrier.	-----	Weeklies & monthlies*: within 40 miles of publication, or circular area (diameter 80 miles), unless by Letter Carrier.	Weeklies & monthlies*: within 40 miles of publication, except local delivery by Letter Carrier in place of publication having less than 10,000 population, to the extent of 2500 copies.	-----	-----	-----	-----
Dailies	>10,000 1¢/lb <10,000	Free	-----	1/2¢/lb	-----	1/4¢/lb	3/4¢/lb (1/1/21) 1 1/2¢/lb (1/1/22)	1¢/lb	1 1/2¢/lb 1¢/lb	1 1/2¢/lb-news 4¢/lb-advt over 50% 1¢/lb-news 4¢/lb-advt over 50%	2 1/2¢/lb-news 4¢/lb-advt 2 1/2¢/lb	
Tri-Weeklies & Semi-Weeklies	>10,000 1¢/lb <10,000	Free	-----	1/2¢/lb	-----	1/4¢/lb	3/4¢/lb (1/1/21) 1 1/2¢/lb (1/1/22)	1¢/lb	1 1/2¢/lb 1¢/lb	1 1/2¢/lb-news 4¢/lb-advt over 50% 1¢/lb-news 4¢/lb-advt over 50%	3¢/lb 2¢/lb	
Weeklies	>50,000 1¢/lb >10,000 1¢/lb <10,000	Free	-----	1/2¢/lb, other than free 1 1/2¢/lb beyond 300 miles	1/4¢/lb, within 300 miles other than free; 1 1/2¢/lb beyond 300 miles	1/4¢/lb, other than free	3/4¢/lb (1/1/21) 1 1/2¢/lb (1/1/22); other than free	1¢/lb other than free	1 1/2¢/lb, other than free 1¢/lb, other than free	1 1/2¢/lb-news 4¢/lb-advt over 50%, other than free 1¢/lb-news 4¢/lb-advt over 50%, other than free	3¢/lb other than free 2 1/2¢/lb other than free 1 1/2¢/lb, other than free	

* Including all frequencies between weekly and monthly.

TABLE 1: RATE COMPARISONS FOR STATUTORY CATEGORIES AND MAILINGS TO OTHER COUNTRIES (CONT'D)

Mail Category	Circulation	1875	1882	1889	1899	1903	1908	1920	1927	1931	1933	1951
Semi-Monthlies and Monthlies	>10,000	1¢/lb	Free	-----	$\frac{1}{2}$ ¢/lb, other than free	$\frac{1}{4}$ ¢/lb, within 300 miles other than free; $\frac{1}{2}$ ¢/lb beyond 300 miles	$\frac{1}{4}$ ¢/lb, other than free	$\frac{3}{4}$ ¢/lb (1/1/21) $1\frac{1}{2}$ ¢/lb (1/1/22); other than free	1¢/lb other than free	$1\frac{1}{2}$ ¢/lb, other than free 1¢/lb, other than free	$1\frac{1}{2}$ ¢/lb-news 4¢/lb-advt over 50%, other than free 1¢/lb-news 4¢/lb-advt over 50%, other than free	$1\frac{3}{4}$ ¢/lb, other than free $1\frac{1}{2}$ ¢/lb, other than free
	<10,000											
Bi-Monthlies and Quarterlies		1¢/4 oz.	-----	1¢/lb	-----			2¢/lb	-----			-----
Local Delivery -all frequencies -provided for by regulation until 1951			$\frac{1}{2}$ ¢ each	1¢/4 oz, delivered thru local PO by Letter Carrier or otherwise	-----							1¢ for 2,2, 4 oz for delivery within postal area of publication where there is letter carrier delivery service
Specimen or Sample Copies		$\frac{1}{2}$ ¢ each, weighing less than 1 oz; 1¢/4 oz otherwise	Free	1¢/lb	-----	1¢/lb, limited to 1/3 of number sent by mail to subscribers; 1¢/4 oz in excess of 1/3		2¢/lb, limited to 1/3 of number sent by mail to subscribers; 1¢/4 oz in excess of 1/3				4¢/lb limited to 1/3 of number sent by mail to subscribers; 1¢ for 2,2, 4 oz in excess of 1/3

TABLE 1: RATE COMPARISONS FOR STATUTORY CATEGORIES AND MAILINGS TO OTHER COUNTRIES (CONT'D)

Mail Category	Circulation	1875	1882	1889	1899	1903	1908	1920	1927	1931	1933	1951
Mailed by the Public		1¢ each, weighing less than 1 oz; 1¢/4 oz otherwise						1¢/4 oz (from 1909)				Canadian publications to Commonwealth, Br. & foreign addressed to places in Canada, 2¢ for 4 oz, 1¢ each additional 4 oz. To other countries 2¢ for 2 oz, 1¢ each additional 2 oz.
Mailed by Newsdealers or Subscribers		1¢/lb published at least monthly. 1¢/4 oz published less than monthly	1¢/4 oz			1¢/lb (from 1900)		2¢/lb				4¢/lb to Commonwealth except Australia*; 2¢/4 oz, 1¢ each additional 4 oz to Australia; 8¢/lb for comic and fiction.

* Rates changed in 1963:

Canadian publications, recognized by the Department, to regular subscribers in Canada and other places in the Commonwealth (except Australia), 4¢ per lb.

British and foreign publications, recognized by the Department, to regular subscribers in Canada, 5¢ per lb.

local delivery. Free transmission applied to all publications meeting the statutory conditions of the time and published at least monthly if they were addressed to a subscriber or newsdealer who was not a resident in the place of publication.

In 1899 the period of free transmission ended for publications issued more frequently than weekly. A 1/2¢ per pound rate was set for newspapers mailed in cities. Publications of at least a monthly frequency were given free transmission in a 20 mile zone only. The free transmission period had attracted false newspapers full of advertising content and the volume of second class mail had risen from 5 million pounds in 1882 to 27 million pounds in 1898.

In 1903 a reduced rate fixed at one-half of the regular rate was introduced for publications issued more often than monthly and less often than weekly and mailed within 300 miles of publication.

In 1908 the mail rates for second class were reduced from 1/2¢ to 1/4¢ per pound and the half-rate 300 mile zone eliminated. The free zone increased from 20 to 40 miles. This change indicates that the government was having difficulty in deciding what to do about second class rates. No direction in rate policy can be seen from Confederation until this time. The 1¢ per pound rate set in 1875 was dropped in 1882 when free transmission of second class mail was established. A new rate was set in 1899 only to be cut in half in 1908. Also in 1908, a foreign publishers mailing (mailed-in-Canada) rate was set at 1¢ per pound or four times the statutory pound rate. It applied to foreign publications forwarded by publishers to representatives in Canada for mailing at a Canada Post Office and addressed to bona fide subscribers and newsdealers in Canada.

In 1920 another major restriction on free transmission was made. The population of the place of publication was limited to 10,000 and only 2,500 copies could be mailed free of charge. These provisions still hold today.

In 1921 second class rates were tripled to 3/4¢ per pound and doubled again to 1 1/2¢ per pound in 1922.

In 1927 publications issued at least monthly were given reduced rates of 1¢ per pound. The government's uncertain rate policy was still in effect until the next charges in 1931, when a stable, if slow moving, upward trend begins.

- Rates as a function of circulation were introduced in 1931. Publications with a circulation of over 10,000 were charged an extra 50 percent (1 1/2¢ per pound) while those with less were charged the same rate as before (1¢ per pound). All publications about science, religion and agriculture had a reduced rate of 1¢ per pound.

- In 1933 an advertising surcharge of 4¢ per pound was introduced on the advertising content when it exceeded 50 percent of the content of a newspaper or periodical.

- In 1951 there was a comprehensive review of second class rates. All basic rates except for bi-monthlies and quarterlies were raised. The advertising surcharge was dropped for all publications except dailies, for which rates were set at 2 1/2¢ per pound for editorial content and 4¢ per pound on advertising content.

2.4 Foreign Publications

Of the three ways which foreign publications can enter the Canadian postal system, second class rates contain rate categories applicable to two of them. Foreign publications mailed in the country of publication and addressed to Canadians are the responsibility of the foreign postal administration which sets the applicable international rate established in accordance with the guidelines of the Universal Postal Union Conventions. Also by international convention, the sending postal administration retains the full postage, although since 1969 the U.P.U. Convention provides for the payment of terminal dues which are compensation payments based on weight imbalances of mail exchanged between postal administrations.

Mailed-in-Canada publications are foreign publications printed outside of Canada and transported by the publishers into Canada for mailing at a Canada Post Office. These publications have, since 1908, been eligible for a special second class rate known as the "foreign publications mailed-in-Canada" rate if they meet all the usual criteria for registration as a second class newspaper or periodical. The level of rate concession has traditionally varied a great deal. In 1908, the rate was four times the statutory rate for dailies and in 1927 it was only half the daily rate. By 1951, the rates were equivalent. At the present, however, the mailed-in-Canada rate is the highest of all second class rates.

The third type of foreign publication is both printed and mailed in Canada and is commonly called "foreign publications printed-in-Canada". This category was created in 1968 in conjunction with Bill C-116. Traditionally, these publications have been assessed the same rates as Canadian second class publications even though by foreign ownership they did not meet the statutory criteria.

The rates for Canadian publishers' mailings to other countries, if the newspaper or periodical were published at least monthly, did not change from 1875 (when the rates were the same as most domestic publications - see Table 1) until 1951. In 1951 the rates were raised to the statutory pound rates for all Commonwealth countries except Australia. Mailings to other countries at this time were set in weight step tariffs (see Table 1 and/or Appendix 2).

3.0 CONDITIONS PRIOR TO 1968

3.1 Emergent Problems in Post World War II Years

In the years following the Second World War, the context within which the Post Office operated had changed dramatically and the reasons for the early subsidization policies were increasingly questioned. Free and universal education was one condition which seemed to reduce the need for government support of the dissemination of information, an idea which peaked before the turn of the century. In the nineteenth century, the Post Office represented the only general means of communication and the availability of news via the mails was considered essential for national development and the promotion of democratic ideals. In contrast, by the end of the 1940's, many other forms of communication had developed and virtually every town and city in the country had access to a newspaper. Radio and television soon after became accessible to all but the most remote areas, and the country ceased to be dependent on the Post Office for news and education.

3.1.1 Rising Costs

The costs of subsidizing second class mail rose very sharply in the post-war years. Until about 1945-46 the second class postal subsidy was relatively small and static, but from 1948-1962 the subsidy increased from \$7.46 million to \$24.67 million, over \$1 million annually.¹⁰ The subsidy for an eight year period from 1953 to March 1, 1961 amounted to over \$180 million. On an annual basis, this amounted to \$6.40 for every family in Canada, more than the average family spent on postage for first class mail. Revenues from 1955-1962 amounted to a mere 21-26 percent of operating costs, and the magnitude of the deficit in absolute dollar terms had increased substantially.¹¹ With the exception of rate increases in 1951, there were no substantial post war rate increases until 1968, by which time the second class deficit and cost/revenue ratio were becoming quite a burden to the Post Office and ultimately the taxpayer.

¹⁰ Ibid.

¹¹ See Appendix 5 for Second Class deficits.

3.1.2 Development of Other Competing Media

The development of competing media to newspapers and periodicals handled by the Post Office, and the availability of alternative distribution systems to the Post Office made the problem of increasing postal deficits more acute. If the Post Office was no longer a necessity for information distribution and education, and no longer a monopoly for the general distribution of information, then why should the taxpayer subsidize the costs of publishers? This became a frequently asked and debated question. Two reasons for the status quo vis-à-vis second class rates for the post war period until 1968 were the strong lobby of the publishers themselves and the inertia of a pricing system open to public scrutiny.

3.2 Government Response to a Changing Situation

In the early and mid-1960's, there were three royal commissions which dealt with the Post Office and the question of concessionary postal tariffs. Each report or relevant part thereof was an attempt by the commissioners, on behalf of the government, to come to grips with major changes in the Post Office and its environment.

3.2.1 O'Leary Report

The Royal Commission on Publications, with Senator Gratten O'Leary as chief investigator, was set up by Order-in-Council on September 16, 1960 and its final report was published in May, 1961. It was set up to investigate the Canadian periodical publishing industry only, and excluded any study of newspapers, daily or otherwise. In the first chapter of the report on communications in Canada, the scope of the inquiry was established as some of the problems of the publishing industry were set forth. For instance, for more than two decades the mortality rate of Canadian magazines had been higher than the birth rate. The investigators believed that a variety of circumstances, including the trend to centralization of ownership in the publishing industry, made new ventures prohibitive. The report emphasized the importance of periodicals for the growth of nation-wide publications having national appeal since most Canadian newspapers are local in character or at best regional. Another significant observation was that Canadian consumer publications were not growing as fast as the foreign competition, or other advertising media generally.

In regard to the nation's postal services, the O'Leary Report documented the losses to the Post Office for postal distribution of periodicals and newspapers, a large part of which they attributed to delivery in Canada of periodicals mailed from abroad.¹²

<u>Year</u>	<u>Losses (in \$ Millions)</u>
• 1948	7.46
• 1952	13.60
• 1956	17.19
• 1960	22.70

In the case of foreign second class mail mailed from outside of Canada, the Commission pointed out that the Post Office received no revenue from this delivery because under the Universal Postal Convention, all governments handle such foreign mail free of charge. Canadians, however, received far more of such mail from the United States than they sent. Consequently, an estimated \$6 million of the 1960 deficit in the second class mail was attributed to the mailing of American publications in the United States.

In 1961, there was a Canada - U.S. Postal Convention which dealt with the problem of second class mail and postal imbalances. Before 1961, it was often less expensive for an American publisher to post second class mail to non-subscribers in Canada from the United States than pay the Canadian regulatory rate, concessionary though it was. This, of course, added to the imbalance of postal fees and services which favoured the United States. Canada pushed very hard for the proposal to raise second class rates for mailings to other countries to international levels while the United States resisted the move. The proposal was not in fact implemented until 1974 in the United States and 1976 in Canada when charges for traffic in both newspapers and periodicals were brought to international, if still concessionary levels.

¹² Royal Commission on Publications, Queen's Printer, Ottawa, May 1961, p. 87.

Although the Canada - U.S. Postal Convention which became effective on July 1, 1961 had studied the question of international imbalances in mail and agreed to arrive at an equitable solution, the matter was really in the hands of the Universal Postal Union. The O'Leary Report had stated that this convention did not address the problem of large imbalances and in fact it could not. The matter was subject to international jurisdiction.

The O'Leary Commission made a series of recommendations regarding the publishing industry and the Post Office. The Commission rejected any direct subsidies to publishers, or subsidies in the form of free postal privileges, as being alien to the Canadian political and economic way of life and out of keeping with the traditional policy of self-sufficiency in the postal service. The report did, however, recommend the continuation of a partial postal subsidy to all periodicals.

"Periodicals do not carry the full cost of delivery because it is believed to be in the national interest that these be the widest possible distribution of periodicals and newspapers."¹³

The report did recommend the repeal of local delivery rates, an extra charge for home delivery in rural areas, on second class mail. It did not, however, recommend any special subsidy for farm magazines, beyond their existing statutory classification, stating that their special interest in the Canadian agricultural experience was a field difficult to cover by foreign publications, and hence farm publications were not in need of extra privilege. It was, however, recommended that "little" magazines of cultural interest with less than one-third advertising content be given free mailing privileges for the first 5,000 copies. This type of recommendation, as will be shown in the next section, is in direct contrast to the recommendations on full cost recovery of the Glassco Commission. The O'Leary Commission further recommended compensation from the United States for the second class mail imbalance, and although aware of the 1961

¹³ Ibid.

Canada - United States Postal Convention, the investigators believed that this did not really address the problem of large imbalances. It was proposed that the mailed-in-Canada privilege, as a distinct rate, should be increased to remain competitive with U.S. second class postal rates to Canada.

3.2.2 Glassco Report

The general focus of the Glassco Commission as set up by Order-in-Council in September, 1960 was the management of the Public Service; and its final report of July 1962 dealt mainly with ways to streamline management techniques. Insofar as it concerned the Post Office, and in particular concessionary postal rates, the Report had some important recommendations.

The Report recognized that the Post Office was in a vastly different situation from the days when subsidization as a policy began. It discussed such issues as the development of other media, how the underwriting of publishing costs by advertisers had changed the economics of publishing, the growth of the publishing industry, and the drastic rise in Post Office costs. The investigators recognized that the advertisers, responsible for 40-50 percent of the content of many publications, had become a beneficiary of the government policy of subsidizing second class mail. They also took note of the fact that advertisers paid a more representative portion of the costs when their publications were categorized as third class mail. Although the report came to no specific conclusions on these considerations, it did state, in regards to the Post Office, that:

- 1) From the point of view of a businesslike operation the obligation to subsidize second class from its own pocket seemed undesirable.

- 2) If Parliament continued to require that over three-quarters of the cost of postal distribution of newspapers and periodicals be made from the public purse, then a specific grant should be made to cover deficits.

"We recommend that an annual grant be made by Parliament in amount sufficient to cover the costs of the Post Office in handling second class mail, to the extent that such exceed postal revenues arising from the rates set by Parliament."¹⁴

The Report also recommended that:

- All fees and charges should be reviewed regularly to keep revenues and expenditures related.
- Costs should be set to recover the full costs of service and costs should be made the basis of fees for service.

3.2.3 Montpetit Report

The Royal Commission of Inquiry into Working Conditions in the Post Office Department, with Honorable André Montpetit as Commissioner, was established by Order-in-Council on September 1, 1965 and the final report was published in October, 1966. As the title suggests, the Commission was primarily concerned with working conditions in the Post Office and not with rates or rate classifications, which were explicitly outside the terms of reference.

3.3 The Impact of These Studies

By June, 1961 the Post Office had already decided it wanted to implement one major recommendation of the O'Leary Report:¹⁵

- 1) To increase the mailed-in-Canada rates.

The other main concerns of the Post Office regarding the O'Leary Commission were the three major recommendations of repealing local delivery rates, giving free mailing privileges to non-profit "little" magazines, and asking the United States for compensation payments for second class mail. The

¹⁴ Report of the Royal Commission on Government Organization, Vol. III, Services to the Public, Queen's Printer, Ottawa, July, 1962, p. 327.

¹⁵ From a Memorandum from the Postmaster General to the Deputy Postmaster General dated June 21, 1961 (P.O. file #12-1-77 Vol. I).

impact of the O'Leary Commission's way of thinking was such that the Postmaster General suggested to postal officials that they ask the Commission for information regarding these proposals and:

"...that we try in our thinking to break away from the strict revenue concept which has dominated us so far in our approaches to rates and approach the subject by balancing the cost to the Post Office and the benefit to the publisher and, more important, the nation as a whole." ¹⁶

In fact, the local delivery rates were left unchanged until the major rate increases in 1969 and the mailed-in-Canada rates did not rise until the same time, when non-subscriber copies reached the third class rates. ¹⁷ These facts would also indicate that the economic recommendations of the Glassco Commission regarding full cost recovery were not implemented, although increases in 1969 helped the situation temporarily. The Glassco Commission told the Post Office what they knew then and still know; that second class mail is a money loser. No regular review of charges and fees or no direct grants from a government source came until the late 1970's.

Politically, the O'Leary Commission made a strong impact. Its study of the centralization trends in the Canadian publishing industry brought this issue to a prominence which seems no less relevant today. The O'Leary Report also brought attention to the growth of foreign publications in Canada and the decline of Canadian publishing in competition with other media. The Commission's work fueled the debate about the low postal rates charged to Time and Reader's Digest in light of the large postal losses. ¹⁸ It also brought attention to the need for developing publications having national appeal, as most at the time were local or at best regional in character. Some legislative proposals regarding recommendations of the O'Leary Commission are discussed in Section 4. The Glassco Commission had made the strongest statements regarding full cost recovery and the Post Office as a business. Although these statements fit in the context of a study of organizational efficiency in government, they were too strong to have any hope of immediate implementation in the Post Office, given the strong pressures from publishers and the inertia generated by the long

¹⁶ Ibid.

¹⁷ From Rate Charts of the Rates and Classification Division of the Canada Post Office (See Appendix 1-3).

¹⁸ Hansard II p. 2797, June 22, 1965. Also see P.O. file #12-1-85-26.

tradition of healthy subsidies for second class mail. The main "postal" impact of the Glassco Report was in fact to arouse publishers to protest any moves to increase second class rates.

The Montpetit Commission was only marginally relevant to the rate and classification issues while the Glassco report was mainly an economic statement about public service management and was not concerned with cultural goals. The O'Leary Report, however, was different. Aside from the recommendations which led to the inclusion of arts and literary magazines with farm, science and religious publications and those about preferred rates for cultural "little" magazines, the report led to some interesting public debate. In the Toronto Telegram,¹⁹ an article appeared which was highly critical of Canadian magazine publishers who were urging the government to act on the O'Leary Report because it offered financial breaks to such successful Canadian magazines as Weekend Magazine and proposed rate increases for mailed-in-Canada foreign publications. Weekend Magazine had previously contained a two page advertisement in support of the O'Leary Report. The editors of the Telegram responded as follows:

"Since the report proposes that two magazines which are in leading positions in Canada in terms of readers and advertising be singled out for destruction as a sort of sacrificial offering to preserve the others, the attitude of Canadian magazines is understandable even if it is short-sighted... One of the great weaknesses of the free enterprise system is that those who should be its strongest supporters often are the first in line to the government for special legislative aid when their selfish commercial interests are involved."²⁰

19 From an article in the Toronto Telegram, September 16, 1961; see P.O. file #12-1-77 Vol. I.

20 Ibid.

3.4 Further Second Class Studies Prior to 1968

The O'Leary and Glassco Reports had sensitized the government to the need for change in the Post Office, even if most of their recommendations in regards to second class mail were not implemented. It was becoming clear that the Post Office Act and the changes allowed under departmental regulations were not adequate to keep pace with the cost increases of the time. That no major rate increases had occurred since 1951 was a problem for the Post Office, and the government had to consider some type of action. Small changes such as the withdrawal of second class rates on newspapers and magazines mailed by the general public which was implemented on April 1, 1964, did little to alleviate the overall revenue/cost situation.

A letter from the Comptroller, Mr. J.A. MacDonald, to the Director of Postal Rates and Classification in November, 1965, illustrates some of the changes being considered at that time. Mr. MacDonald's major recommendation was that rates should be related to costs; not at full cost, however, but just that they should be related. He also recommended the mandatory preparation of mail, or make-up, by publishers, the annual licensing of publications having second class status, and a statement of what the rates would be if they covered the full cost of delivery. He suggested as well that some type of cost formula be developed on which rates could be based. The one he recommended was developed by management consultants, P.S. Ross and Partners, in October, 1965.

The P.S. Ross study used a statistical approach in its objective of describing an overall cost model of the second class mail service of the Post Office. The cost model was based on three major variables, weight per copy, size, and geographical distribution. The resulting formula involved sortation, transportation and delivery costs, from which specific costs and thus rates could be specified for any given item or publication. The major suggestion of the P.S. Ross study was that subsidies be granted as discounts from the official rates based on full costs, rather than as specific rates.

In 1965, a Second Class Rates Study Committee was set up by the Post Office and a number of meetings were held throughout the year. The

following discussion of that Committee's proposals comes primarily from minutes of the various meetings.²¹ On June 9, 1965, the Deputy Postmaster General opened the meeting with a review of the events leading to an intensification of the second class rate study. Included was a discussion of the O'Leary Report and the announcement of the Minister of Finance in his budget speech of that year of the need for sound proposals for changes in postal rates, especially the second class rate structure. The P.S. Ross study was of major interest to this Committee in relation to second class costs. The Deputy Postmaster General wanted accurate costing data that represented the handling a publication if it were "made-up" by the publisher.

In the meeting of July 2, 1965, consensus was achieved on the desirability of three principles:

- 1) Weekly publications should get statutory privileges, including a free zone of 2,500 copies;
- 2) An annual fee for registering a publication with statutory privileges;
- 3) A minimum annual postal revenue for a publication to obtain statutory privileges.

By August 19, 1965, the Committee had agreed to recommend a reduction in the number of publications in the second class category with many being reclassified as third class. On August 31, the Committee considered one proposal to abolish the local delivery rate on second class mail. The only protest was from small town merchants whose patrons would no longer have to come to town for their mail. On September 23, 1965 the Committee proposed to universally abolish the drop letter rate. This rate, which had applied to first class mail only, set differing rates on the basis of mailing zones but had become antiquated and awkward to apply. On November 3, 1965, the Committee issued a draft of proposals for changes in second class mail regulations. Perhaps the most significant item was the proposal to include fishing, forestry, arts and literary publications in the group of farm, science and religious publications which received preferred rates and free zone privileges.

21 Second Class Rates Study, 1965; from minutes of the Committee meetings, from Canada Post Office file # 12-1-85-20(R).

In 1966, the Postal Rates Committee issued "Working Paper #5 - Proposals for Change", which contained their proposals for legislation. The Committee set a series of conditions for a newspaper or periodical to qualify for statutory rates, including:

- 1) A subscription price of at least 50¢ per annum;
- 2) Advertising content of less than 70 percent in over half of its issues;
- 3) A paid circulation of over 70 percent of the total;
- 4) The publication must be mailed to a bona fide subscriber or newsdealer;
- 5) Publication of at least four times a year.

The Committee proposed to include forestry, fishing, literary, arts and scholarly journals with farm, science and religious publications for preferred statutory rates. It also proposed the elimination of the free zone, and the abandonment of the current rate structure and its replacement by a new structure of four categories:

- 1) Dailies: Published more than once a week;
- 2) Small weekly newspapers: Published once a week, having a circulation under 10,000 and having 50 percent of its circulation to a Post Office within 40 miles of the Post Office of the place of publication;
- 3) Regional publications: Having 80 percent of its postal circulation addressed within its region;
- 4) National Publications: Having 80 percent of its postal circulation distributed nationally.

Other proposals included having piece instead of pound rates, the limitation of statutory privileges to Canadian publications (with the elimination of Time and Reader's Digest), the elimination of preferred rates for special publications when statutory rates were already far below cost, and lower rates for newspapers trucked to the Post Office of delivery. If it was necessary for farm, science, religious and other publications to have preferred rates then, they urged, that these rates be offered only to

publications with a circulation under 10,000. The proposed rates were as follows: ²²

- Dailies and regionals: 1¢ for first 2 oz., 4¢ for each additional 2 oz.
- Weeklies: 1¢ for first 2 oz., 2¢ for each additional 2 oz., with 2,500 copies delivered free within 40 miles
- Nationals: 1¢ for first 2 oz., 8¢ for each additional 2 oz.
- Preferred publications: Same as weeklies, but without free zone.

For dailies, these rates would have represented an increase of almost 900% (assuming 50% advertising content) over the existing rates set in 1951. For weeklies (circulation over 50,000), the increase would have been almost as severe with a 500% rise from these proposed changes.

3.5 Major Issues in 1968

In 1967, the pressure for postal rate action became more urgent with the formation of an Interdepartmental Committee on Second Class Mail which included members of the Post Office Department, Privy Council and Finance Department. The work of this Committee resulted in the final proposals of the Post Office leading up to the legislative changes in 1968.

3.5.1 General Policy Issues

The Interdepartmental Committee on Second Class Mail held meetings in January and February of 1968. They adopted the position of the Glassco Commission on Government Organization with respect to a grant from Parliament to cover deficits, to the overall operation of the Post Office.

"...that, except where the Governor-in-Council decides otherwise, charges be made for all services rendered to the public and the amounts thereof be so established as to cover the full cost to the government of the service supplied." ²³

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- 22 Memorandum from the Postmaster General to the Deputy Postmaster General regarding the O'Leary Commission; from Post Office file #12-1-77, Vol. I.
- 23 From Glassco Report #18, p. 383, in a Memorandum from the Postmaster General to Cabinet regarding Proposed Amendments to the Post Office Act, May, 1967, in Post Office file #12-1-85-25.

One of the Committee's early proposals was to hold negotiations with the United States Post Office with the intention of encouraging them to raise their second class rates to Canada. A series of rate and classification proposals which will be discussed below, were also introduced. Along with proposed rate hikes to bring the Post Office deficit to more manageable levels were other recommendations to make it a more cost effective service. The most important was the proposed restriction of the number of publications eligible for second class rates. The list included: publications of political organizations, house organs (mostly company papers for employee relations), political papers, labour union journals, publications of co-operatives (unless they were agricultural, fishing, industry oriented, etc.), and educational papers. Trade publications were on the list to have statutory privileges, but were recommended to be accepted at the new regulatory rate rather than as third or fourth class mail.

The Finance Department suggested at these meetings that consideration be given to dropping Canadian ownership requirements, as defined by the Income Tax Act, in order to allow the giant publications of Time and Reader's Digest to retain favourable rates. They proposed to exclude from classification as a Canadian publication only those publications printed outside Canada and those with a content identical to a publication printed outside of Canada.

The perspectives of the publishers were different from the views of the government or Post Office. A brief from the Canadian Newspaper Publishers' Association to the Postal Rates Committee makes this clear.²⁴ The daily publishers stated that they neither received nor wanted a subsidy. Instead, they believed the reader received the subsidy. As well, they believed that dailies were paying more than their fair share of total second class mail revenues. The Canadian Weekly Newspaper Association strongly recommended that statutory rates be extended to Canadian publications to offset losses from handling foreign publications. The Church Press Association adopted an even stronger position in a letter to the Postmaster General by saying that the Post Office did not need to pay its own way and hence that proposed rate increases were too drastic.

24 From Canada Post Office file #12-1-85-28 on the Interdepartmental Committee on Second Class Mail.

They considered themselves educational and cultural endeavours and since they relied exclusively on the mail (i.e. they did not sell at news-stands), their rates should be kept low.

3.5.2 Rate and Classification Issues

The Interdepartmental Committee on Second Class Mail came up with a number of rate and classification compromise proposals.²⁵ It recommended a rate structure for dailies based on piece rates, a rate structure for weekly and other publications based on pound rates with a minimum per piece charge, a per piece rate for mailed-in-Canada publications, and a separate rate structure for Time, Reader's Digest and other publications which were published in Canada but did not qualify as Canadian for the purposes of statutory mail rates. These recommendations, along with other proposed amendments to the Post Office Act to be discussed below, were in turn sent by the Postmaster General to Cabinet for approval. Like the recommendations of the Postal Rates Committee, these proposals would have led to very substantial rate increases for most second class postal users.

In the Committee, the postal director for rates and classification, had recommended a rate for Time and Reader's Digest that would lie between the mailed-in-Canada rate and the regulatory rate because of the contribution which these magazines made to the Canadian economy. The Privy Council representative responded that, partly because of ongoing tax legislation, Cabinet would have to decide this recommendation; and that such a special rate would spark a great deal of debate in the House of Commons. With the new pound rate proposals, the Committee recommended preferred rates for "little" magazines of cultural interest. The Privy Council members felt that the government would want some assistance for the smaller dailies like L'Evangeline of Moncton and Kingston's Whig-Standard while all members agreed that the dailies would have no trouble meeting higher rates.

A memorandum from the Comptroller, J.A. MacDonald, to the Post Office in November 1965, had recommended that the number of second class categories be reduced to three:²⁶

25 Ibid.

26 From a memorandum to G.S. MacLachan, Director of Postal Rates and Classification, to J.A. MacDonald, Comptroller, from Canada Post Office file #12-1-85-10.

- 1) Copies to bona fide subscribers in Canada with the elimination of a local letter carrier rate;
- 2) Copies to non-subscribers - printed rate matter;
- 3) Copies to foreign countries.

The second of these recommendations would have resulted in large increases for publications currently paying regulatory rates. As well, he recommended the elimination of free zones, consistent with the principle that rates should cover costs. When the Interdepartmental Committee on Second Class Mail made its proposals in 1967, which were subsequently recommended to Cabinet, the rate categories were indeed simplified, although not exactly as the Comptroller suggested.

The purposes of the proposed amendments to the Post Office Act as recommended by the Committee and forwarded to Cabinet were as follows:

- 1) "To repeal sections 11 and 12 which govern the conditions and rates for newspapers and periodicals and to enact new provisions, the effect of which will be:
 - (a) To restrict the conditions for statutory mail rates;
 - (b) To reduce and simplify rate categories;
 - (c) To establish minimum price charges;
 - (d) To increase rates;
 - (e) To restrict the free zone to newspapers with circulation under 10,000 and to copies thereof that are addressed to Post Offices with no letter carrier delivery service;
 - (f) To abolish the preferred rates;
 - (g) To repeal the existing local second class rate; and
 - (h) To discontinue statutory rates for sample copies of newspapers and periodicals and packages of newspapers and periodicals mailed by newsdealers."²⁷

The proposed restrictions of statutory rates to Canadian newspapers and periodicals excluded any publication edited or published outside Canada or publications with a content substantially the same as those published outside of Canada. Other proposed changes would restrict statutory rates to newspapers and periodicals that:²⁸

- 1) Had less than 70 percent advertising;

27 From "Proposed Amendments to the Post Office Act", a Memorandum from the Postmaster General to Cabinet, May, 1967, Post Office file #12-1-85-25.

28 Ibid.

- 2) Had a subscription price not less than 50¢ per annum;
- 3) Had a paid circulation not less than 50 percent of the total circulation;
- 4) Registered for second class rates with the Post Office.

It was also proposed to exclude from statutory rates all those organizations, house organs (mostly company papers for employee relations), political papers, labour union journals, publications of co-operatives (unless they were agricultural, fishing, industry oriented, etc.), and educational papers.

Most of the changes proposed by this committee were in fact incorporated into Bill C-116 in 1968 and will be discussed later. With regard to rate increases the following proposals were forwarded to Cabinet:

- Dailies: 1.2¢ for the first 2 oz., 6¢ for each additional 2 oz.
- Weeklies: 2.5¢/lb. with a minimum of 1¢/piece
- Others: 3¢/lb. with a minimum of 1¢/piece

This increase for dailies would have been enormous (over 1000%), yet the charges for other publications and weeklies would have changed very little. There was also a provision for maintaining a rate structure with separate rates for advertising and editorial content for a more equitable distribution of postage changes. Privy Council members had suggested to the Post Office that with a charge on advertising content equivalent to third class rates, it would be easier to go to Parliament for future rate increases based on increases in the third class rate structure.

It was recommended to retain a free zone for weekly, community and rural newspapers with a circulation of less than 10,000, and published in towns with a population of under 10,000. It would be discontinued for publications with a larger circulation and for semi-monthlies and monthlies. The preferred rate, at the time the lowest second class statutory rate, would be discontinued as a specific rate, and the publications to which it applied, "little" magazines and those devoted to science, religion and agriculture, etc., would be given the rate applicable under the category of "other publications". The mailed-in-Canada

rate would increase substantially to 2.5¢ for the first 2 oz., and approximately 6¢/lb. For the magazines which did not meet statutory requirements for Canadian ownership, a relatively modest rate increase of 2.5¢ for the first 2 oz., and .5¢ for each additional 2 oz. was proposed.

The response of the publishers to these proposals was not surprising.²⁹ The Canadian Daily Newspaper Publishers' Association felt that the present rates were adequate given the short haul for dailies compared to other second class mail. They also criticized the Post Office for adding to the cost of publishing by requiring the preparation for mailing. The Canadian Weekly Newspapers' Association argued to maintain low rates for weeklies and disagreed with the restrictions proposed for free zone privileges. The Periodical Press Association believed that statutory or similar rates should be applied to bona fide controlled circulation (i.e. no subscription payment) publications.

This latter group made the following recommendations with regard to business publications:³⁰

- 1) Controlled circulation business publications should be given the same consideration as consumer papers addressed to bona fide subscribers;
- 2) The rate on these publications should not be four times the rate for statutory consumer publications;
- 3) Establish a bulk pound rate with a minimum per piece charge for these publications, as periodicals in the United States;
- 4) Stage the rate increases;
- 5) From a postage rate standpoint, association business publications should be considered the same as controlled circulation business publications because they perform an identical role.

The farm press,³¹ represented primarily by the Free Press Weekly, which was the largest Canadian publication handled by the Post Office with a

29 Letters from Second Class Rates Study: Proposals for Legislation, from Post Office file #12-1-85-25.

30 Letter from Canadian Periodical Press Association to E. Kierans, Postmaster General, dated September 13, 1968, from Post Office file #16-9-68.

31 Letters from the Free Press Weekly and Canadian Federation of Agriculture are found in Post Office file #12-1-85-26.

circulation of 445,000, argued that because of fixed costs, the extra costs of delivery of their publications was not a major factor in postal deficits. They argued that lower rates were not a subsidy but a recognition of the limited service provided and the lower costs of delivery to rural rather than urban areas. The Canadian Federation of Agriculture requested dropping the proposed minimum per piece charge.

3.6 Post Office Legislative Activity from 1961 - 1968

Several proposals of the O'Leary Commission were implemented by administrative action in 1961 while other recommendations could only be implemented through amendments of the Post Office Act. Two considered to be of substantial importance were:

- The repeal of local delivery rates on second class mail;
- That non-profit, cultural and "little" magazines with less than one-third advertising content be granted free mailing privileges throughout Canada for their first 5,000 copies.

These recommendations, along with a proposal to lower rates on publications issued less frequently than monthly and more frequently than quarterly which would simplify the rate categories, were incorporated into Bill C-88 and introduced into Parliament on April 18, 1962. No action was taken in that session, however, and the Bill was reintroduced as Bill C-5 on October 1, 1962. Once again no action was taken. On March 9, 1964, a new resolution was proposed in Parliament which proposed:

- 1) "An increase in the local letter rate from 4¢ to 5¢;
- 2) A repeal of the local delivery rates on publications issued weekly and less frequently;
- 3) Extending a special rate of 1 1/2¢/lb. to the cultural and "little" magazines;
- 4) Establishing a minimum rate of 1 1/2¢ per copy on publications that are granted statutory mailing privileges." 32

There was considerable opposition to these proposals and the resolution did not pass. Subsequent legislative proposals, in 1965 and 1967, were more specifically focussed on Income Tax, and Customs matters and as a result of government priorities no changes were made. With the budget of April 1965,

32 From Highlights of Second Class Legislative Activity, Vol. I, "Summary of Post Office Legislative Activity Since 1961", p. 6, Canada Post Office.

the Minister of Finance referred to a general review of subsidized postal rates. A postal rates committee was set up which ultimately led to a final policy proposal being submitted to Cabinet on May 8, 1967. The actions of this committee have already been discussed.

4.0 BILL C-116

4.1 Basic Concessionary Rate Changes Contained in Bill C-116

On October 8, 1968, the Postmaster General, Eric Kierans, moved that the House of Commons go into committee to consider a resolution to amend the Post Office Act. The legislation in questions, Bill C-116, provided for the following changes:³³

- 1) A 2¢ minimum charge on each piece of mail;
- 2) Increase to 5¢ per pound on all second class mail, and 15¢ per pound on the advertising content of dailies;
- 3) Reclassification of second class mail into three categories:
 - a) Dailies - including semi-weeklies;
 - b) Weeklies;
 - c) Other publications.
- 4) Exclusion from second class mail of:
 - a) Publications of co-operatives, unions, church congregations, house organs and associations - i.e. groups whose main activity was not publishing;
 - b) Publications with an annual subscription rate of less than 50¢.
- 5) Discontinuation of statutory rates for sample copies of publications;
- 6) Further restrictions on the conditions of admissibility to statutory rates of postage;
- 7) Elimination of preferential statutory rates for publications devoted to science, religion and agriculture;
- 8) Repeal of separate postage rates for copies of publications addressed for local delivery;
- 9) Discontinuance of statutory rates for mailings of newspapers and periodicals by newsdealers;
- 10) Definition of what constitutes a "Canadian" newspaper or periodical.

4.2 Major Objectives and Principles of the Legislation

During debate on the Bill, the Postmaster General outlined the two major objectives of the changes proposed by the legislation. These were:³⁴

33 Legislative Proposals for 1968, Vol. 5, Canada Post Office

34 From Hansard I, p. 929, Debates of the House of Commons, 1968.

- To make second class mail pay its fair share of postal costs;
- To amend and clarify the terms and conditions under which statutory rates apply in order to establish a rational basis for conferring the privilege of second class rates.

The legislation in the words of the minister, was based on two principles.

- 1) "The user shall pay for what he uses;
- 2) Social Justice and national need require specific subsidies for specific areas or organizations."³⁵

The Bill was not designed to balance the postal budget but to control the level of subsidy. With the proposed increases, the Post Office expected to reduce the deficit in second class mail from a forecast \$54.6 million to \$39.1 million in 1969-70. The Post Office wanted revenues to cover about 50 percent rather than 20 percent of the cost of service, with figures being anywhere from approximately 80 percent for dailies, 13 percent for weeklies and 33 percent for magazines.³⁶ At issue was not the question of whether to have a subsidy, but rather the amount; and the aim of the government was to restrict the subsidy to publishers rather than associations.

4.3 Pricing Policy Considerations

The issue of whether the Post Office is a public service or a profit-making enterprise became prominent again in conjunction with this legislation, both inside and outside of Parliament. To justify the rate increases the Post Office was compelled to explain its costs.

The objection of the publishers and some members of Parliament was that the Post Office was primarily designed to deliver first class mail and that most of its costs were fixed in relation to this service. Thus, if second and other classes of mail were a "by-product" of postal operations, the

³⁵ Hansard II, p. 1601, 1968.

³⁶ Hansard II, p. 1605, 1968

users should only pay the small additional charges which its delivery would necessitate. The Post Office rejected this by-product costing theory.

"That is not the way we made our cost analysis. We have marginal operations in the Post Office but they do not come under first class, second class, third class or fourth class mail. The entire sorting process inside the Post Office must be considered. For one thing, there is a difference in the way that letters can be handled in a relatively confined space; but some newspapers you must spread out horizontally. This takes up a great deal of room and many more people are required to deal with them and carry them." ³⁷

"In his appearance before the Davey Commission, Mr. Kierans explained why the department does not regard second class mail as a marginal operation: it constitutes 23.2 percent of the weight, 15.7 percent of the cubic footage, 19.2 percent of the costs of the entire postal service. In contrast to this, second class mail provides 2.1 percent of postal revenues." ³⁸

Despite these facts, it was true that the Post Office had high fixed operating costs (80 percent at that time) and the loss of revenue from second class mail had the effect of shifting operating costs to other classes of mail. Mr. Kierans did admit to the Davey Commission in 1970 that the effect of reclassification of half of the 5000 publications eligible for second class before 1968 to third class status in 1969 was to transfer a \$7 or \$8 million deficit from second to third class mail, despite cost increases of over 600% for most of the now third class reclassified publications over what they would have paid without reclassification.

Other major costs affecting the second class postal service and the rate increases were:

- Handling: An average piece of Canadian mail was apparently handled 62 times! ³⁹ The publishers argued for compensation when they performed handling operations themselves while the Post Office saw this as a normal procedure. The introduction of a minimum per piece charge on second class mail incorporated this cost into the postal rate.

37 Hansard II, p. 2055, 1968.

38 From "The Impact of the Increase in Second Class Postal Rates on the Publishing Industry in Canada" by J. Filliter, 1971, p. 16., Carleton University, unpublished paper in Post Office files.

39 Ibid, p. 17.

- Weight: Postal charges were graduated in proportion to weight. As weight increases, this increases handling costs, items tend to become bulkier as well and more costly to transport.
- Volume: Some costs are piece related, whether the item weighs 1 oz. or 10 oz. it still has to be sorted, handled, etc. These costs also vary with the volume of items per mailing as economies of scale affect certain functions.
- Distance: The variability of transportation costs with distance are not reflected in these postal tariffs. Flat universal rates generally apply to magazines and newspapers to make postal service available to all Canadians at equal costs.

"Current postal pricing policy may best be described as a compromise between the public service and profit-making functions: second class mail is neither distributed free nor at costs.

Several factors have probably influenced government policy:

- 1) The contribution of the press to public knowledge and opinion;
- 2) The political power of the press; and
- 3) Demand for the service.

The price fixers are restricted in their function by what the market will bear, or as the Postmaster General phrased it 'services for which we could rightfully charge, and for which the people are willing to pay'." 40

In the post war years, postal costs, related to the main expense of salaries and transportation, rose sharply while changes in postal rates did not. By 1962-63, second class mail revenue was almost equally divided between statutory rates and rates set by department regulation.⁴¹ While the costs of handling mail are greater than the costs for transportation, the actual costs of delivering mail are more closely related to the number of items than to the overall weight. The statutory rates at this time did not reflect this relation and so the ratio of revenue to costs for statutory rates steadily declined despite the increases of 1951. This statement basically applies to rates set by regulation as well since for most categories there was no greater acceleration in the increase of these rates.

40 Ibid. p. 19.

41 From "A Study of Second Class Mail: Section I - Rates and Rate Structure", July, 1963, Canada Post Office, Planning and Special Projects Branch. No precise volume figures were kept before 1968.

4.4 Subsidization Policy

It was the stated opinion of the Postmaster General, Mr. Kierans, that it was the publishers rather than the subscribers who benefitted from postal subsidies because they made the profits and controlled pricing policy. The real test of who benefits would seem to show up in the subscription rates of the publications using second class mailing privileges. It should be noted that the category of other publications created in 1968, which included magazines, did not have an extra postal rate on advertising content because of competition from American publications. According to the Post Office, more newspapers passed on the increases to subscribers while magazines did not.⁴²

Thus, under the old policy, it could be said that newspaper readers and magazine publishers were the beneficiaries. The opinion of the Post Office was that they were responsible for recovering costs, not judging the merits of printed material. Mr. Kierans in fact recommended that the publishing industry itself make some recommendations as to which publications merited special consideration.

4.5 Implementation of the Bill

The rate increases resulting from the 1968 legislation were implemented in three stages; in April and October of 1969 and April of 1970.

4.5.1 Second Class Statutory Rates

This category includes the three categories of daily, weekly and other publications as defined by Bill C-116.⁴³ Statutory publications required less than 70 percent of their space devoted to advertising in more than 50 percent of their issues in a year and a subscription price of at least 50¢ a year. Weeklies were community newspapers with a circulation under 10,000 and published in a place with a population under 10,000. Other publications naturally included all the rest which met the statutory condition of subscription, addressing and publication as discussed earlier.

42 From "The Impact of the Increase in Second Class Postal Rates on the Publishing Industry in Canada" by J. Filliter, 1971, p. 23, Carleton University, unpublished paper in Post Office files.

43. See Appendix 5 for complete definition of Statutory and Regulatory Publications as per Bill C-116.

Table 2 (p. 52) shows that on April 1, 1969 three statutory categories were given a rate of 4¢ per pound, approximately double the old rate in most instances. Dailies, however, carried a 9¢ per pound charge on advertising whereas for weeklies no advertising charge applied and a total of 2500 copies could be delivered within 40 miles of the place of publication postage free. Other publications had the same charges as weeklies without the free zone. On October 1, 1969, the charges for all categories were increased to 4.5¢ per pound with the same 2¢ minimum. Advertising content for dailies was increased to 12¢ per pound, consistent with third class rates, while weeklies maintained the free zone. On April 1, 1970 the rates increased again to 5¢ per pound with a 12¢ minimum for all classes and a 15¢ per pound charge on the advertising content of dailies.

4.5.2 Free Mailing Privileges

Since 1882, free mailing privileges have existed in one form or another as a statutory condition for second class mail. Appendix 1 describes the inauguration of this service in 1882 and the subsequent changes in 1889, 1908, 1920 and on April 1, 1969. This final change in 1969 restricted free mailing privileges to weekly community newspapers published in a place with a population under 10,000 and allowed a total of 2500 free copies to be delivered within 40 miles of the place of publication to Post Offices with no letter carrier services. These conditions remained the same until 1978 and have only changed to the extent that metric conversion changed the distance figure to 65 kilometers in 1979.

4.5.3 Second Class Regulatory Rates

The new rates for Canadian publishers to non-subscribers in Canada were increased at one time only, April 1, 1969 (see Table 2, p. 52). These new rates, like the old ones set in 1951, were calculated using 2 oz. weight steps and were as follows:

- 3¢ first 2 oz.
- 2¢ each additional 2 oz. or fraction

For an 8 oz. item the new rates were 300% higher than the old ones and for a 16 oz. item they were just over 400% higher. Compared to the April 1, 1969 statutory pound rate (once again assuming a daily with 50% advertising content), an 8 oz. or a 16 oz. item in this category had a rate almost 300% higher.

Prior to 1968, different rates applied to different categories of foreign publishers' mailings in Canada based on frequency of issue, but in 1968 the category was consolidated and given the following rates effective November 1:

<u>To Subscribers</u>	<u>To Non-Subscribers</u>	
• 2.5¢ first 2 oz.	5¢ first 2 oz.	} up to 1 lb.
• .5¢ each additional 2 oz.	3¢ each additional 2 oz.)	
	fourth class rates over 1 lb.	

Compared to the second class regulatory rate to non-subscribers established in 1969, the mailed-in-Canada rate to subscribers was almost three times lower. To non-subscribers, however, the mailed-in-Canada rate was approximately 50 percent higher than the basic regulatory rate to non-subscribers.

The printed-in-Canada category was inaugurated on April 1, 1969 in conjunction with tax legislation and Bill C-226 for non-Canadian publications that were published in Canada. Prior to 1969, postal rates for such material to subscribers were the statutory pound rates which applied to Canadian publications. For mailings to non-subscribers, the rates were 1¢ for the first 2 oz., 1¢ for the next 2 oz., and 1¢ for each additional 4 oz. or fraction.

On April 1, 1969 printed-in-Canada tariffs to subscribers and non-subscribers were set at rates equivalent to the statutory pound rates and regulatory rates to non-subscribers respectively.

<u>Subscribers</u>	<u>Non-Subscribers</u>
• 4¢/lb.	3¢ first 2 oz.
• 2¢ per piece minimum	2¢ each additional 2 oz.

4.6 Impact of Bill C-116

4.6.1 Government Opposition

Opposition members were unanimous yet unsuccessful in advocating that the Bill be referred to a Commons committee for detailed consideration. There was also a consensus among the opposition against raising postal rates and curtailing service (Saturday delivery) at the same time. Reference was made to the two percent of Canadians who relied exclusively on mailed newspapers for communication. The opposition also felt that there was discrimination against the print media.⁴⁴ The view was expressed that this policy fostered official bias in the mass media:

"The minister is actually following a course which, in my opinion, could well lead to silencing those voices which this country most needs to hear... They are voices of dissent which express varying points of view... which symbolize what democracy is all about."⁴⁵

44 See Filliter paper for references to:

Hansard I, p. 941, re statements of P. Nowlan
Hansard II, p. 2108 re statements of E. Williams
Hansard II, p. 1673, re statements of W. Coates
Hansard II, p. 1212, re statements of H. MacQuarrie

45 Hansard II, 1968, p. 1617, T. McCutcheon (P.C. - Lambton-Kent) speaking.

Other opposition arguments were that the government was encouraging the trend towards monopoly ownership and control of Canadian publications, and that an average pricing policy not taking into account variations in preparation and transportation was unfair.

Despite an unsuccessful motion by Stanley Knowles (N.D.P. - Winnipeg North Centre) that the Bill be delayed for six months, the Bill was passed and given Royal Assent on October 31, 1968. The government had made some concessions in the form of retaining Saturday delivery in rural areas and staggering the rate increases to take effect on April 1, 1969 and October 1, 1969.

4.6.2 Economic Impact

About half of the more than 5000 second class mail users before 1968 were excluded from such classification afterwards; that is, the trade, fraternal, professional and other associations whose primary interest was not publishing. Appendix 4 gives a before and after comparison of statutory and regulatory publications. Exclusive of these publications, it does not seem that the remaining second class publications on the whole had any great difficulty surviving. The extended group will be discussed again in terms of the "Death of Publications" issue.

Appendix 5 gives the volume, revenue and cost figures for the various classifications of mail for the years 1968-69 and 1979-80. The following data indicate the same structure for second class mail as an aggregate for the years 1967-68 to 1969-70. The revenues, costs and deficit figures are in million dollars and volume figures include incoming mail from the United States.

<u>Year</u>	<u>Volume</u> (in million)	<u>Revenues</u>	<u>Costs</u>	<u>Deficit</u>
1967-68	694.35	9.66	47.15	37.49
1968-69	744.48	8.42	48.46	40.03
1969-70	593.00	14.51	42.44	27.93

First of all, it can be seen that revenues jumped from one-fifth of costs in 1968-69 to over one-third in 1969-70 after new rates were implemented. There was a particularly good performance from dailies which went from 12 percent to 50 percent of cost recovery in just one year. Secondly, there was a large reduction in the volume of second class mail of over 155 million pieces for the same period, while revenues increased by \$5 million or 47 percent in one year.

4.6.3 Specific Examples of Rate Increase Impact⁴⁶

Before the rate hikes which first came into effect on April 1, 1969, the daily newspapers sent less than 10 percent of their circulation by mail. This was reduced to only 6%, but in general the dailies were not hurt very badly because they relied so little on the mail to begin with. The elimination of Saturday delivery in urban areas was a more serious problem. This involved the expensive initiation of home delivery service for subscribers who would have been lost if only the mail were used. The postal bill of Le Devoir for example, went up by \$42,000, although most of this cost was covered by the subscriber. Home delivery service, however, was still more expensive. For Le Devoir, the carrier boy subscription rate was \$31.20 and the mail rate was \$20.00 while for the Calgary Herald the figures were \$31.20 and \$19.00 respectively.

Some hard hit dailies were Quebec Dailies and L'Evangeline of Moncton which served rural areas, national dailies such as the Globe and Mail Report on Business whose postal bill went from \$15,000 to \$119,000 in three years, and other semi-regional papers such as the St. John's Evening Telegram and Sherbrooke's Record. The effects were overall more serious on weeklies. They had a heavy increase in the pound rate from 1 1/2¢ - 3¢/lb. to 5¢/lb. across the board. Weeklies could absorb the cost less easily and had trouble

46 Figures are taken from Postal Legislation 1971, Financial, Statistical and Policy Statements, Canada Post Office

with alternative distribution systems. The potential impact on magazines was also more serious. Of 133 million magazines sold in Canada at the time, 120 million were circulated by mail. Generally, the magazines absorbed the increases as their situation vis-à-vis competition, foreign or otherwise, was precarious and they could not afford to lose subscribers. The 1969 rate increases were described by the newspapers as a "postal disaster". Although some papers were hard hit, there was little evidence shown to the Davey Senate Commission in 1970 to show that a great number of publications were forced out of business because of the rate increases. The considerations and recommendations of the Davey Commission regarding this and other matters are discussed in a following section.

4.7 Reaction from Users

4.7.1 Newspaper and Periodical Publishers

The daily newspaper publishers were very vocal in their protests about the 1968 legislation for several reasons. They particularly objected to the suddenness of the changes.⁴⁷

- On a per copy basis, their postage more than doubled.
- They felt the attitude of postal officials indicated that they did not want to handle newspapers.
- Dailies objected to the termination of Saturday urban delivery.

Because the category of weekly newspapers encompasses a great variety of publications, ranging from strong and viable to weak and marginal, there was a great storm of protest. The publishers also protested strongly about any changes in free zone privileges. A letter from the President of the Canadian Weekly Newspaper Association to the Postmaster General clearly shows their displeasure with the reclassification of semi-weeklies as dailies.⁴⁸ In general, economically viable weeklies shifted to alternative distribution systems while the smaller ones remained economically in a poor position.

⁴⁷ Ibid.

⁴⁸ Letter to the Postmaster General from C.I. MacInstosh, President of the Canadian Weekly Newspaper Association, dated February 17, 1969, in Post Office file #12-1-86-16 (R).

The reactions of both daily and weekly publishers as well as of periodical publishers to the rate increases have been included in a study of the demand of newspapers and periodicals for postal services by Kostuck Consulting Associates in 1971.⁴⁹ The report was a survey of close to 200 different newspapers and periodicals in every print category. One of the most important findings of this study is the dependence of most publications on advertising rather than subscription revenues. The study shows that many dailies were compelled to search for alternate distribution schemes after the 1968 legislation. Most dailies did not attempt to make a profit on their postal subscription but they were considered important just the same to maintain subscription levels that were high enough to attract large scale advertising. The Kostuck study claims that the rate revisions were not a serious factor for many weeklies because of the free zone provisions.

The authors suggested that as many as 50 percent of the economically marginal weeklies would fold were it not for such provisions. The storm of protest from the marginal operators about rate hikes seems justifiable in this context. The viable weeklies, which usually serve more densely populated urban centres, responded to postal increases by moving away from the Post Office to their own distribution systems. The weaker ones, however, remained dependent on the Post Office.

The Kostuck study demonstrates that business publications have shown great flexibility in meeting the challenge of higher postal costs, without any significant shift away from the Post Office. Technical innovators and the reduction of some editorial services have facilitated this adaptation, with large multiple publication firms leading the way. There was some negative reaction from advertisers, however, who felt that the quality of many publications suffered, particularly when compared to American publications. Business publishers did not like the lower rates for paid circulation publications, nor did they like the two ounce break practices. They would have preferred pound rates since changes in the number of advertising pages, which could not really be controlled, could move the publication into a higher weight category with possible resulting cuts in editorial content.

⁴⁹ Canadian Newspapers and Periodicals, Report of a Direct Mail Study Conducted for the Canadian Post Office prepared by Kostuck Consulting Associates, Don Mills, Ontario, January 1971, also Supplementary Report, April 29, 1971.

Consumer publications have been strongly dependent on the Post Office but their major concern has been advertising revenues and number of subscriptions rather than subscription or postal rates. Experiments in the 1960's with such publishing ideas as controlled circulation aimed at a more homogenous audience, however, have prompted the publishers of many of these magazines to push the Post Office for statutory and regulatory changes for second class rates. Farm and religious publications each made claims to special consideration from the Post Office because of their particular problems. Neither can depend on high subscription rates while both are highly dependent on the Post Office. The religious press also has trouble gaining advertising revenue. Two options were open to these publications: becoming more specific in character or becoming more like the broad consumer magazines; the religious press has met with little success with either strategy. Although the farm press in many cases bemoaned the death of certain agricultural publications following rate hikes, certain interested parties considered this to be a positive development. In a letter to the Agricultural Editor of The Albertan⁵⁰, the Research Information Editor of the Alberta Department of Agriculture tells how out-of-touch most farm papers have been with the agricultural industry and how desperately they need to modernize techniques and improve their content.

4.7.2 Associations and Organizations

Associations and organizations whose primary activity is not publishing do not qualify for statutory second class rates. The legislation of 1968 provided for large rate increases which would apply to this group as well. These rate increases were not rescinded or changed for association publications and one of their reactions was to create separate publishing companies in order to qualify for second class rates instead of third class.⁵¹ Labour organizations provide a good example of this group. The Canadian Labour

⁵⁰ Letter from Jack Art, Research Information Editor, Alberta Department of Agriculture to Tom Primrose, Agricultural Editor, The Albertan, Calgary, Alberta, dated March 10, 1969 (from Post Office file #12-1-89-9, Vol. I).

⁵¹ Opinion of members of Rate and Classification Division of the Post Office; figures unknown.

Congress, in a submission to the Postmaster General, claimed that many labour publications had ceased to operate as a result of postal increases.⁵² They protested lumping non-profit organizations with advertisers vis-à-vis postal rates, and suggested that applying third class rates to their publications, whose primary purpose was for the benefit of the readers, would introduce the necessity of advertising and an undesirable commercial aspect. The Canadian Industrial Editors' Association presents the same opinion to the Post Office as regards the death of publications in the aftermath of Bill C-116.⁵³ They recommended that the Bill be sent back to committee for study, and although acknowledging that the Post Office must improve its financial position, recommended a gradual implementation of rate increases over a period of several years to allow those affected to adjust their budgets.

The ethnic press was another group which raised strong objections to rate increases which applied to them. They objected for several reasons:⁵⁴

- 1) The ethnic press played an essential role in educating newcomers to Canada which no other media reached;
- 2) The ethnic press did not have a large advertising revenue;
- 3) Newcomers to the country cannot afford higher subscription rates resulting from postal increases.

The publishers of ethnic newspapers requested that a special category be created for them and that they be given the same rates as weeklies published in towns of under 10,000 in population. They also requested that the 2¢ per piece minimum be waived for all ethnic publications. Although the publishers of the ethnic press did not try and claim that postal rates were the cause of the death of ethnic publications, they did claim that it was a contributing

52 Submission from W. Dodge, Secretary-Treasurer of the Canadian Labour Congress to J.P. Coté, Postmaster General, dated November 2, 1971 (Post Office file #12-1-86-15 Vol. 2).

53 Submission from the Canadian Industrial Editors' Association, W.L. Court, President, dated March 5, 1969, to E. Kierans, Postmaster General (Post Office file #12-1-86-12 (r)).

54 From "Background Paper on the Ethnic Press and the April 1, 1969 Increase in Postal Rates on Newspapers and Periodicals", July 13, 1973, from Post Office file #12-1-86-13, Vol. 2.

factor and that their special service to the community merited some attention. The Post Office did in fact state that in an independent survey, the Ethnic Press Federation was one of the few exceptions in the publishing industry who objected to the 2¢ per piece minimum charge.⁵⁵ Most of the rest of the objected to the suddenness and magnitude of the increase without advance notice.

4.8 Davey Commission

4.8.1 Background

The Special Senate Committee on the Mass Media⁵⁶, more commonly called the Davey Commission after its chairman, Senator Keith Davey, actually deliberated very little on the Post Office; just nineteen pages out of 1000 in two brief sections in Volumes I and II. However, given its temporal proximity to the 1968 postal legislation, the Davey Commission was in a unique position to study some of the impacts of that legislation on Canadian newspaper and periodical publishers. To begin with, the Committee felt that the postal deficit on second class mail was an investment in Canadian unity and a well-informed public. The Committee also saw the deficit as a subsidy to readers, not publishers. Thus, although the earlier rate increases were not criticized, it was recommended that no further increases be made. In fact, the Committee believed they would be damaging.

4.8.2 Recommendations

The Davey Commission came up with six main recommendations regarding second class mail:⁵⁷

- 1) End the 2¢ minimum charge of publications with statutory privileges;
- 2) Simplify the rate structure and reduce the spread in rates between second class statutory regulatory and third class;
- 3) Statutory rates should only apply to publications containing at least 50 percent editorial material;
- 4) Publications with part subscriber and part free circulation should pay the rate applicable to each;

55 Ibid.

56 Report of the Special Senate Committee on Mass Media, Vols. I, II & III, Queen's Printer, Ottawa, December, 1970.

57 From Précis of the Mass Media (Davey Committee) Report in Reference to Second Class Mail, Canada Post Office, February, 1971.

- 5) No rebate should be given for additional sorting and delivery to the Post Office;
- 6) Restore Saturday delivery in urban areas.

4.8.3 Response to Davey Commission

Although the Davey Report is of value in showing that second class mail has a social significance above and beyond the Post Office accounts, the rate recommendations were generally considered to be negative by the Post Office for the following reasons:⁵⁸

- 1) The Report did not address the fact that the second class subsidy could double in five years;
- 2) Some publications which would be saved by stable rates might not be worth it, and would not survive were market forces allowed to operate;
- 3) The Report gave no estimate of the revenue loss if the Committee's recommendations were implemented;
- 4) The Post Office should not necessarily be the major means for channelling subsidies to worthy publications in a pressed industry.

Postal officials also did not believe that publishers were unhappy about the actual rate increases, only the one-sided manner in which they were implemented. Also, although the advertising content of second class statutory daily publications carried a rate equivalent to third class, the Post Office was under increasing pressure from users of third class mail who saw themselves as subsidizing second class mail which advertisers could also use.

58 Ibid.

5.0 RATE AND CLASSIFICATION CHANGES 1970-1978

5.1 General Changes

The period from 1970 to 1976 saw four different changes in postal regulations affecting second class mail, although these changes involved either non rate-related problems or rate changes for very specific categories of mail. These changes will be discussed in the following sections. Other significant changes for the 1970-1978 period which affected postal operations were the Statutory Instruments Act of Bill C-182 which became effective on January 1, 1972 and required all changes in regulations to be published in the Canada Gazette to be legal, and the restriction of franking privileges to Parliamentary members. Previously, all government departments had franking privileges and postage payments were based on term estimates of departmental employees. The government bill to the Post Office changed by \$15 million in the year after this change. This is mainly because a great deal of second class type material was being sent first class free of charge rather than at the appropriate rates.

There were little or no classification changes throughout the 1970's and there were no serious rate changes again until 1977 when a period of vigorous rate action was begun by the Post Office following a 1976 decision by Cabinet to use the Financial Administration Act to authorize rate hikes without the creation of new postal legislation. This period results in second class rate increases in 1977 and 1978 and one more in 1979, followed by metric conversion. The changes were basically across the board percentage increases for all second class categories of 20% in 1977 and 25% in 1978. Other classes of mail had an additional increase in 1976. The changes in rates for the categories of mail under study for this period are found in their complete forms both in Appendices 1-3 and in Table 2⁵⁹ on the next page.

59 All figures are from Rates of Postage Charts supplied by the Post Office Department, Rates, and Classification Division, Ottawa.

TABLE 2: SECOND CLASS RATE CHANGES 1969-1978

Category	April 1, 1969	October 1, 1969	April 1, 1970	March 1, 1977	April 1, 1978
<u>Statutory:</u>					
Dailies (assuming 50% advertising content)	6.5¢/lb. 2¢ piece minimum	8¢/lb. 2¢ piece minimum	10¢/lb. 2¢ piece minimum	12¢/lb. 2.4¢ piece minimum	15¢/lb. 3¢ piece minimum
All Others (except free)	4¢/lb. 2¢ piece minimum	4.5¢/lb. 2¢ piece minimum	5¢/lb. 2¢ piece minimum	6¢/lb. 2.4¢ piece minimum	7.5¢/lb. 3¢ piece minimum
<u>Regulatory:</u>					
Canadian to non-subscribers	0-2 oz. - 3¢ 2-4 oz. - 5¢ 4-6 oz. - 7¢ 6-8 oz. - 9¢ 8-10 oz. - 11¢ 10-12 oz. - 13¢ 12-14 oz. - 15¢ 14-16 oz. - 17¢			0-2 oz. - 3.5¢ 2-4 oz. - 5.9¢ 4-6 oz. - 8.3¢ 6-8 oz. - 10.7¢ 8-10 oz. - 13.1¢ 10-12 oz. - 15.5¢ 12-14 oz. - 17.9¢ 14-16 oz. - 20.3¢	0-2 oz. - 4.4¢ 2-4 oz. - 7.4¢ 4-6 oz. - 10.4¢ 6-8 oz. - 13.4¢ 8-10 oz. - 16.4¢ 10-12 oz. - 19.4¢ 12-14 oz. - 22.4¢ 14-16 oz. - 25.4¢
Category	November 1, 1968	October 1, 1971		January 1, 1976	April 1, 1978
Foreign Publishers' Mailed in Canada (to subscribers) - copies to non-subscribers have 3rd and 4th class rates where applicable	0-2 oz. - 2.5¢ 2-4 oz. - 3.0¢ 4-6 oz. - 3.5¢ 6-8 oz. - 4.0¢ 8-10 oz. - 4.5¢ 10-12 oz. - 5.0¢ 12-14 oz. - 5.5¢ 14-16 oz. - 6.0¢ over 1 lb.- .5¢ each additional 2 oz.	0-2 oz. - 2.5¢ 2-4 oz. - 4.0¢ 4-8 oz. - 6.0¢ 8-16 oz. - 10.0¢ 1-2 lb. - 15.0¢ 2-4 lb. - 24.0¢		0-2 oz. - 3.5¢ 2-4 oz. - 6.0¢ 4-8 oz. - 9.0¢ 8-16 oz. - 17.0¢ 1-2 lb. - 28.0¢ 2-4 lb. - 45.0¢	0-2 oz. - 4.4¢ 2-4 oz. - 7.4¢ 4-6 oz. - 10.4¢ 6-8 oz. - 13.4¢ 8-10 oz. - 16.4¢ 10-12 oz. - 19.4¢ 12-14 oz. - 22.4¢ 14-16 oz. - 25.4¢ 1-2 lb. - 44.4¢ 2-4 lb. - 72.0¢
Foreign Publishers' Printed-in-Canada	Same rates as the statutory pound rates				

5.1.1 Rate Changes Under the F.A.A.

It will be useful to examine the changes in 1976 which prompted the large rate changes in 1977 and 1978, before getting to an analysis of the individual categories of mail for the 1968-78 period. The postal increases were enacted by regulations passed by Order-in-Council during the Liberal administration. Statutory postal rates have always been set out in Section 10 and 11 of the Post Office Act but the Cabinet authorized the rate increases under Section 13(b) of the Financial Administration Act which had given Cabinet the authority to pass regulations to alter fees for services to the public. The legality of this move was questioned in the House of Commons⁶⁰ and the courts.⁶¹ Publishers were convinced the increases were illegal because the government bypassed Parliament, which alone has the right to change rates of domestic statutory postage. The Canadian Periodical Publishers' Association took the issue to court, stating that they did not want to force the government to return any excess postage revenues collected since 1976, but to bring the postal rates before Parliament. They were upset because an Order-in-Council precludes any opportunity for public objection. The government took the position that the move was legal; apparently, based upon a favourable opinion from the Department of Justice, which was not made public.

Although the Conservative Party had criticized the Liberal government's actions in invoking the F.A.A. for postal matters, they had to take a different position once in power:

"As a result of their concern regarding the method used to implement recent statutory postage rate increases and the possible complications arising from a then pending appeal of a Federal Court decision which had established the legality of the recent statutory rate revisions, the previous government introduced and obtained passage in the House of Bill C-11. This Bill formally established as having the authority of the Post Office Act, those statutory first and second class rates which was revised by Order-in-Council under authority of subsection 13(b) of the Financial Administration Act. Bill C-11 covered statutory postage rate increases implemented on 1 September 1976, 1 March 1977, 1 April 1978 and 1 April 1979 plus the technical revisions required for the rationalized metric conversion of postal tariffs on 1 July 1979." ⁶²

60 Hansard, March 13, 1978, p. 3699 re objections from members and reference to objections from members of a standing committee of the House and Senate.

61 Ibid. for reference to Canadian Periodicals Publishers' Association test of the move in Ontario Supreme Court.

62 From Post Office files from Rates and Classification Division, 1980.

5.2 Changes in Second Class Rates

As can be seen in Table 2, after the increases resulting from Bill C-116 were implemented, there were no further second class statutory increases until March 1, 1977. The 1976 decision to increase rates under the F.A.A. was delayed by the intervention of the Secretary of State Department which advised against further immediate increases in favour of giving publishers time to adapt their budgets. At this point, the per pound rate for all three categories rose to 6¢ and the per piece minimum was set at 2.4¢. The advertising content of dailies went to 18¢ per pound and weeklies maintained the free zone as they did for the next rise also. On April 1, 1978 the charges again rose to 7.5¢ per pound, a 3¢ minimum for all categories and a 22.5¢ per pound charge on advertising in dailies. Appendix 1 lists the separate advertising and editorial content rates for dailies while Table 2 uses a 50% advertising content figure to give a better idea of the actual pound rate that a daily publisher would have to pay. The statutory pound rates remain at approximately one-third of the regulatory rates for the same period as both rates were subject to the same percentage increases. Table 2 lists the tariffs for the basic regulatory rate based on 2 oz. weight steps. In 1977 these tariffs amounted to 3.5¢ for the first 2 oz. and 2.4¢ for each additional 2 oz., and for 1978 they rose to 4.4¢ for the first 2 oz. and 3¢ for each additional 2 oz.

Mailed-in-Canada rates were set with larger weight steps to make them comparable to the United States to Canada rate structure. In 1980 for instance, there were only 262 mailed-in-Canada publications but they accounted for approximately 9.5% of the total second class volume mailed in Canada.⁶³ The rates for mailed-in-Canada publications are approximately equal to the basic regulatory rate for the period in question. The mailed-in-Canada rate to non-subscribers was abolished and such material had third and fourth class rates where applicable.

Rates for printed-in-Canada publications were the same as the statutory pound rates in the post 1968 period (see Appendix 2). These publications account for approximately 5.2 percent of the total second class volume mailed in Canada.⁶⁴ For Canadian publishers mailings to other countries, the most significant

⁶³ Figures from Rate and Classification Division, Canada Post Office, Ottawa.

⁶⁴ Ibid.

change occurred in 1971 when the number of categories was simplified and rates to all countries except the United States were standardized, replacing the more complicated rate schedule existing prior to 1971. Also after the 1971 changes, international rates for Canadian publishers' mailings to other countries were set at 50 percent of the regular printed matter (third class) rate, the maximum reduction allowed under the Universal Postal Union Convention.

In comparison with other rates, mailings to other countries were set at slightly more than double the second class regulatory rates from 1976-78. The list of these rates is somewhat long and is included in Appendix 2. In 1976 rates to the United States were brought in line with regular international rates.

5.3 International Postal Developments

The 1964 Vienna Contress⁶⁵ of the Universal Postal Union resulted in agreement to study the cost of dispatching, forwarding and delivering letter-post items with a view to arriving at a more accurate method of apportioning costs in all countries. The Universal Postal Union did not immediately wish to question the principle of non-sharing of charges expressed in the Convention, however, although many countries accepted the idea of compensation on a reciprocal basis if a simple and inexpensive accounting system could be found.

At the Tokyo Convention of 1969, a resolution was passed granting compensation in the form of a very small remuneration (about 8¢/lb.) for surface mail received in excess of mail dispatched. The Congress agreed to continue to study the "terminal dues" question. The resolution was passed mainly on the strength of the numbers of developing countries whose primary flow of mail was incoming international mail. Countries like Canada, Australia and New Zealand with large imbalances strongly supported the resolution. At the 1974 Lausanne Congress, the Tokyo Resolution was approved and made effective from July 1, 1971. Air mail was also included in the calculations of imbalances and a decision was made calling for a gradual

65 The information about the Universal Postal Union Conventions comes from footnotes to Articles re the deliberations of Conventions of the Official Acts of the Universal Postal Union, Vol. II, Universal Postal Conventions annotated copy, published by the International Bureau of the Universal Postal Union, Berne, Switzerland.

increase in remuneration rates for terminal dues. It is estimated that Canada currently will receive about \$15 million for calendar year 1980 from the United States for imbalance payments.⁶⁶

Terminal dues are calculated on the basis of statistics taken once every three years. In 1972-73, the first full year of compensation payments, Canada received about \$2.5 million from the United States and just under \$1 million from other countries.

5.4 Alternate Rate and Classification Proposals - Rejections and Revisions

There appear to be three major types of classification and rate proposals which the Post Office considered regarding second class mail during the post 1968 period and either rejected or drastically revised. An organization in the public eye such as the Post Office can be dogmatic only at its peril, as was learned from the uproar following the sudden changes resulting from Bill C-116 in 1968. This problem introduces the first rate proposals that did not entirely make it; the rate proposals put forward by the Marketing Branch in 1970 and 1971.⁶⁷ Other important proposals which were not acted upon are the decisions not to give special concessions to particular groups of postal users and the rejection of proposals to end the 2¢ per piece minimum charge. Finally, there was the decision to maintain Time and Reader's Digest in the second class regulatory classification.

In July, 1970, the new Marketing Branch of the Post Office made its first rate recommendations to the Deputy Postmaster General. One of the purposes of this branch was to improve the cost/revenue position of the Post Office both through targeting some new service areas with growth potential and proposing strategic rate increases. Their initial rate increase recommendations for 1971-72 and 1972-73 called for increases in all classes of mail. By the time that the proposals had been refined in 1971, however, the proposed rate increases for second class mail had been eliminated. The reason for this decision was the furor caused by the 1968 legislation in regard to second

⁶⁶ Based on estimates of Post Office officials.

⁶⁷ Canada Post Office, Rates Revision Program 1970, Mr. R.W. Stephens, July 10, 1970 and Postal Rate Recommendations 1971-72 and 1972-73, Mr. G.M. Sinclair, April 20, 1971.

class mail which had been greater than for all other rate increases proposed at the time put together. Although the extra revenue from total increases after the 1968 legislation had been expected to cover 50 percent of postal costs, in reality the figures fell about 15 percent short of the target.⁶⁸ Thus, the Post Office still needed revenue. Only a small proportion of total revenue was gained from second class, however, and the Post Office did not want to jeopardize the entire program through controversial second class increases so they were withdrawn from the proposal, a fact which probably allowed the proposals to go through without too much difficulty.⁶⁹ A further difficulty for legislation involving second class mail would have been the fact that the total postal deficit actually dropped from 1969 to 1970 from about \$100 million to approximately \$76 million. Rate proposals in 1974 did not even include second class mail to begin with.

When the 2¢ per piece minimum charge was begun in 1969, there was a great deal of opposition from publishers, particularly those with small publications. Under the old postal rates, the Post Office handled some publications for as little as 1/30¢ which of course discriminated against the heavy ones and favoured the light ones. The Post Office felt justified in the minimum charge because the major costs were attributable to sorting and delivery, not weight. For example, in the fiscal year, 1969-70, the average 8.1¢ per item cost of second class mail could be broken down as follows:⁷⁰

• Sorting	4.00¢
• Delivery	2.83¢
• Transportation	1.184¢

68 From Postal Legislation 1971, Financial, Statistical and Policy Statements, Canada Post Office.

69 Consensus of opinion from officials of Rates and Classification Division, Canada Post Office.

70 Post Office figures as per 1975 study, from unnamed file in black binder containing information from 1968-1975 on file with Rates and Classification Division, Canada Post Office.

However, the negative reaction to the 2¢ minimum charge, including by the Davey Commission which recommended a return to the old situation was such that the Post Office did consider the financial impact of lowering it to 1¢.

The 2¢ minimum for a copy of a publication weighing up to 6.4 ozs. (based on 5¢/lb. at the time of the proposal in 1973), compared favourably with the 3¢ minimum for a 2 ozs. item and 7.5¢ for an item weighing 6.4 ozs. for third class mail. If the minimum charge were reduced to 1¢, the maximum weight of a periodical affected by this rate would have gone from 6.4 ozs. to 3.2 ozs. Thus, periodicals under 3.2 ozs. would have their postal bills cut in half and those between 3.2 ozs. and 6.4 ozs. would get relief to the extent that 5¢/lb. would be less than the 2¢ minimum. The lighter the periodical the greater the relief. Assuming that a reduction in the 2¢ minimum on statutory publications would also mean a reduction in the 3¢ minimum on regulatory publications, the Post Office estimated that a loss of \$1.5 million per year would be the result. The key seemed to be what impact the charge would have on the industry. The Post Office concluded that aside from a few exceptions, there was no evidence to show that the minimum charge was a real and contributing factor to the financial plight of certain publications. On this basis, any proposals to reduce the 2¢ charge were dismissed.⁷¹

A great many submissions were made to the Post Office regarding preferential treatment for a deserving organization or association. Particularly good examples are representations from the ethnic press and the John Milton Society for the Blind in Canada.⁷² Without going into detail, the arguments about criteria for acceptance were generally the same: a non-profit service organization; difficulty in raising advertisement revenue; low income readership; and general deservedness. The Post Office did not disagree with these representations but, in consultation with its legal department, was always forced to the same conclusion. Giving preferred

71 Ibid.

72 Numerous letters between the Society and the Post Office regarding this matter can be found in Post Office file #12-1-85-10 Vol. II.

treatment to one of Canada's 35,000 charitable organizations or anyone else would necessitate extending such treatment to many more. The Post Office felt unable to afford such a precedent and denied such requests and urged the groups to present their need for funds to the government.

Following changes to the Income Tax Act and the 1968 postal legislation, Time and Reader's Digest were no longer considered Canadian publications to which statutory rates applied. Although the "Printed in Canada" rate applicable to them was identical to the statutory rate, the publishers did not like the fact that they were now subject to rate changes by departmental regulation rather than by acts in Parliament. In 1971 the Post Office studied the impact of changing the preferred rates applicable to "Printed in Canada" category and compared them to the "Mailed in Canada" category. The result was forecasted to be an estimated \$720,000 increase in revenue or 92 percent more than was received from Time and Reader's Digest in 1971.⁷³ The Deputy Postmaster General had to concede to the Postmaster General, however, that because of high level Department of External Affairs and United States' State Department communications regarding this matter, he could not expect to get a favourable response to the proposal. The idea was dropped.

5.5 Canadian Consumer Court Judgement and Appeals

Publishers of The Canadian Consumer and its French equivalent, Le Consommateur Canadien had applied to the Post Office for second class mail registration in September 1973 indicating that the primary purpose of these publications is in the interests of social or literary criticism. The Post Office disagreed and because Section 11 of the Post Office Act also refused second class registration for all association publications, the application and an appeal were rejected. The publishers took the Post Office to court. In a Federal Court of Appeal Judgement on February 21, 1975, Justice Jackett ruled that Section 11 of the Post Office Act excluded only fraternal, trade and professional associations from eligibility for second class mailing rights. The Post Office was then obliged to register The Canadian Consumer and was put in a very weak position vis-à-vis other association publications. Another

73 See letter from Deputy Postmaster General to Postmaster General dated January 15, 1972 regarding consequences of such a charge. (Post Office file #12-1-117.)

publication which was refused second class privileges, Especially for Seniors, published by the Ontario Advisory Council on Senior Citizens, appealed the Post Office decision. They cited the Canadian Consumer Judgement in court and won, forcing the Post Office to reverse its position.

Despite the Canadian Consumer decision, the Post Office continued to refuse all association publications except those exempted by Section 11(1) (b) and (c) of the Post Office Act and those published by consumer associations. The senior citizens' publication was an exception in its appeal case. However, the Post Office began to consider itself in a touchy situation, predicting that more associations would take them to court.

5.6 Overall Impact of Recent Rate Changes

5.6.1 On the Government and Post Office Department

Despite the rate increases from 1968 to the present, the Post Office is still in a large deficit position. Appendix 5 lists the deficits for second class mail from 1968-79, both in the aggregate and for individual classifications. In ten years, the total second class deficit has almost tripled, going from \$45 million in 1968-69 to \$117 million in 1978-79.

The overall cost recovery figures have not improved either, with the high being 39 percent in 1969-70 and the low of 19 percent in 1968-69 and 1975-76. At present, the figure is around 25 percent.

The most important impact on the federal government and the Post Office of these continuing losses have been the 1978 agreement between the Postmaster General and the Secretary of State concerning the Cabinet decision to transfer responsibility for the subsidization of losses on certain concessionary rates to the Secretary of State. And furthermore, the apparent decision to introduce legislation changing the Post Office into a Crown Corporation. The Post Office and Treasury Board sent a joint memorandum to Cabinet which recommended that:

"...the Post Office Department embark on a four year program of vigorous rate action, stringent manyear control and productivity improvement as of April 1, 1978 so as to achieve an overall level of 80 percent cost recovery by fiscal year 1981-82. Since this objective is not necessarily consistent with the continued maintenance of significant subsidization of certain mail categories related to other government objectives, it was also recommended that special treatment be accorded such categories."⁷⁴

The specific recommendation was made to transfer to the Secretary of State the responsibility for the subsidization of losses incurred through "publishers' rates", or more specifically the four categories studied in this report, plus third class addressed publications, unaddressed publications and records. It was the government's intention, in line with the recommendation of the Glassco Report, to free the Post Office from responsibility for a portion of its deficit that has always been beyond its control; i.e. government objectives related to publishing and matters of culture. Losses incurred in the subsidization of publishers' rates were to be identified in the postal estimates and excluded from the calculation of the postal deficit and instead transferred to the Secretary of State.

The agreement between the two ministers involved the identification of publishers' rate categories and an obligation on the part of the Post Office Department to prepare forecasts of financial data for the purposes of the agreement and provide any data or information required by the Secretary of State for the purposes of policy and rate planning. It was agreed that the Secretary of State would be responsible for the development of rate and classification structures for the transfer categories and that the Ministry, with the assistance of the Post Office, would develop rate and classification structure proposals for implementation on April 1 of each "Program Forecast Year". Subject to the approval of the Treasury Board, these proposals would be implemented via Section 13(b) of the F.A.A., amendment to the Post Office Act or by departmental regulation. Such has been the case since 1978.

⁷⁴ From a Memorandum of Agreement between the Postmaster General and the Secretary of State concerning the Record of Cabinet Decision 477-77RD/478-77RD Regarding Transfer of Responsibility for Subsidization of Losses Incurred Through Publishers' Rates, p. 1.

The government's proposal to create a Crown Corporation arose out of the 1969 consultant's study entitled Blueprint for Change.⁷⁵ This study echoed the Glassco Commission with regard to the second class mail deficit by stating that as a Crown Corporation, the Post Office should receive subsidies for uneconomic services that it is required to provide by government policy. The intention to create the Crown Corporation results from the increased demands of efficiency and from the overwhelming need to place the Post Office in a more favourable revenue/cost position. The Crown Corporation legislation, Bill C-27 was introduced into the House of Commons in early 1979 but did not make it before the election was called. It is the stated intention of the government to reintroduce the legislation.

5.6.2 On the Publishers

Since the 1968 postal legislation and subsequent rate increases, the charge that the Post Office was causing the death of certain publications has been made by publishers protesting the rate increases. Publishers have argued that large increases, particularly if implemented suddenly and without warning, have resulted in many marginal publications ceasing operation. Many of the marginal publications are considered to be the ones which deserve assistance the most. Representatives of certain publishing groups, the ethnic press, for example, have not argued so strongly that postal rates put publications out of business, but have stated that high postal rates contribute to the financial difficulties of many publications.

The Royal Commission on Publications first addressed this issue in 1961. The final report considered that the birth and death of magazines were a general indication of economic conditions in the magazine publishing field and were a phenomenon that has always taken place. With regard to the increases subsequent to Bill C-116, the following quote offers some light on the issue:

75 Blueprint for Change, November, 1969, prepared by Kates, Peat, Marwick and Co., Toronto, Ontario for the Canada Post Office.

"Since the November 1, 1968 legislation, several statements have been made to the effect that, as a result of rate increases, a number of publications had ceased to be published and that others were on the verge of going out of business. The fact is, however, that most publishers do acknowledge that increased postage costs were not the sole factor which contributed to the adverse position of some segments of the industry, because, like any one of us, publishers have had to face increases year after year in newsprint, wages, and other operating costs since the last significant increases in second class mail rate in 1933." 76

The Davey Report stated that certain publications were unable to absorb higher postal rates; which might well be considered as the straw that broke the camel's back. The commissioners could not, however, blame the April 1, 1969 second class rate adjustments every time a publication folded. The following data show new publications that were registered and those which folded from 1967 to January 1971.⁷⁷ The data do not include association publications which may have ceased publication after April 1, 1969 when they lost their second class mail registration.

	<u>Total number of new publications authorized</u>	<u>Total number of periodicals that ceased publication</u>
<u>Before Rate Adjustments</u>		
1967-68	no record	358
1968-69	614	287
<u>After Rate Adjustments</u>		
1969-70	92	41
1970-January 1971	128	91

Although not attributing the death of many publications to new postal rates, the Davey Report did lament the reduction in size, frequency and quality of many publications which it claimed was caused by the new rates.

76 From "Death of Publications Due to Increase in Postal Rates", Section 5, Part 7 of Postal Legislation 1971, Financial, Statistical and Policy Statements, Canada Post Office.

77 Ibid.

One of the strongest impacts of the postal increases in recent years had been the lobby of publishers of unaddressed controlled mass circulation publications for a change in classification from third class to second class mail.⁷⁸ Controlled circulation publications generally have been addressed trade, business, technical and industrial publications which are sent to members of a trade or profession who do not pay a subscription price. Today many are unaddressed consumer publications targeted at a specific area. They rely on advertising for revenue and the circulation is usually controlled and subject to independent audit to guarantee readership volume to advertisers. In various submissions to the government, the Periodical Press Association has requested that unaddressed controlled circulation publications be considered on the same basis as paid circulation publications with regard to eligibility to statutory reduced postage rates for mailings to subscribers. There would be no advantage for such publications to pay the second class non-subscriber rate, since this is higher than the third class unaddressed rate. The largest group of controlled circulation publications presently are the Comac publications. They have been pressuring for second class regulatory rates somewhat higher than the normal statutory rates but lower than second class regulatory non-subscriber rates.

Publishers of addressed controlled circulation business publications have recommended the practice of paying second class statutory rates on the paid circulation portion and the regulatory rate on the balance of controlled circulation. Publishers of addressed controlled circulation publications (non-subscriber) in general believe the restriction to paid circulation publications was intended to eliminate the advertising-full-give-away-publication and not their controlled circulation publications addressed only to people connected with a given field covered by a particular paper or magazine.

78 From discussion with officials of the Rates and Classification Division, Canada Post Office

PART II - OTHER CONCESSIONARY CATEGORIES

Although the postal categories of publishers' books, library books and educational films are being presented in this separate section, what has already been discussed as historical background, relevant issues, major postal legislation and general conditions for second class mail, applies to these concessionary categories as well. The specific changes for these mail categories are dealt with in the sections that follow.

6.0. PUBLISHERS' BOOK RATES

On November 1, 1968 a publishers' book rate was inaugurated and applied to books mailed by publishers, book clubs and wholesale and retail distributors. One of the major rationales for establishing these book rates in 1968 and increasing the weight limit from the previous 11 pounds was concern over competition from major American publishing houses.⁷⁹ American postal rates for books were less and this posed a problem for Canadian publishers and book dealers who were facing stiff competition. Also, the higher Canadian mailing costs threatened the Canadian operations (i.e. branch plants) of American based publishers as they could move back to the United States for their mailings. The low imbalance payments for international mail at this time made this disadvantageous to the Canadian Post Office.

Rates were set at 14¢ for the first 10 oz., and 1¢ for each additional 2 oz. to each separate address with a weight limit of 25 pounds. Items which weighed less than 10 oz. could be mailed at the option of the mailer at third class rates. On January 1, 1972 the weight limit was increased to 35 pounds. The following changes take us to 1978:

- | | |
|-----------------|---|
| • March 1, 1977 | 20¢ for the first pound
5¢ each additional half pound |
| • April 1, 1978 | 25¢ for the first pound
6¢ each additional half pound, or
fourth class rates, whichever is less |

⁷⁹ Many examples of letters from publishers concerned over lower American rates are found in Post Office file #18-3-11-1 Book Rate Study.

The decision to use the half-pound weight step represented a victory for the publishers who argued that a great proportion of their book mailings weighed just over one pound and paying for postage on two pounds would be unfair. The Post Office had originally considered charging 10¢ for each additional pound or fraction.

Canadian book publishers and dealers were also concerned over high postage rates to the United States, so in 1969, the book rate was applied for delivery outside Canada at the following rates:

<u>To United States</u>	<u>To Other Countries</u>
• 14¢ first 10 ozs.	• 14¢ first 2 ozs.
• 1¢ each additional 2 ozs.	• 2¢ each additional 2 ozs.

On October 1, 1975, the rates for mailings to the United States were raised beyond the domestic rate to a slightly higher level:

• 8 ozs. or less	14¢
• 8 - 16 ozs.	20¢
• 1 - 2 lbs.	33¢

Appendix 3 gives the complete rate schedule for domestic publishers' book mailings.

7.0 LIBRARY BOOK RATES

The United States administration established a library book rate in November, 1938. As a result, the Canadian Post Office received representations from Members of Parliament, educational groups, and library associations that wanted to change the printed matter rate to one similar to the United States' rate.⁸⁰ In 1939, a special rate was established for books passing between libraries and their patrons within the same province of 5¢ for the first pound and 1¢ for each additional pound. Postage included both sending and returning a book. In 1946, the reduced rate was extended to inter-provincial library book mailings. In 1951, coincident with a general increase on third class mail, the library book rates were adjusted to the following:

- 7¢ for first pound
- 3¢ for each additional pound

These rates applied only to books requested from libraries of all kinds, but not to books for interlibrary loans for the purpose of replenishing or enlarging the stock of a given library. The library book rate also applied only to books made available to the public.

In 1967, when library book rates, along with rates for all other categories of mail, were planned to be increased, the Canadian Library Association requested not just a maintenance of current rates, but the removal of rates entirely from library books on the basis of public service.⁸¹

⁸⁰ Background information is from a "Proposal to Increase Postage Rates for Library Books" sent by the Deputy Postmaster General to the Postmaster General on February 7, 1967. From Post Office file 12-1-7 Vol. I Library Books Policy.

⁸¹ From an interdepartmental letter to the Director of Postal Rates and Classification re Canadian Library Association Brief, dated July 10, 1967 from Post Office file #12-7-2 Library Books Policy.

It was the intention of the Post Office, however, to maintain some kind of cost-revenue formula for all classes of mail and no such free mailing privileges were granted. However, by 1977 the rates were still unchanged since 1951 and they were so low as to be almost free. The intention of the Post Office at that time was to index library book rates to third and fourth class rates to prevent the subsidy from increasing. Their two phase proposal was to increase the rates first to 25 percent and then to 50 percent of the regular third or fourth class rates for outgoing and returning postage.⁸² On April 1, 1978, the rates were in fact increased to 25 percent of the regular third or fourth class rates assessed as a single prepayment against the given weight of an item at the time of mailing (for both outgoing and return postage). The second phase, however, was not implemented. Appendix 3 shows the complete rate schedule for library books.

82 From Canada Post Office Rate Proposal A 101 of September, 1977.

8.0 EDUCATIONAL FILM RATES

The educational film rate applies to films mailed between provincial departments of education and schools within the province of mailing. The service was inaugurated on October 1, 1943 with a rate equal to the single provincial parcel post rate which included both outgoing and return postage to be paid by the department of education. The film rate was increased on April 2, 1951 and March 1, 1961 with the increase in parcel post rates. On October 1, 1967, the rates changed with a new single regional surface parcel post rate. On November 1, 1968 new rates were applied which were equivalent to third class rates for material under one pound and single fourth class zone rates for material over one pound, covering both outgoing and return postage.

<u>Under 1 pound</u>	<u>Over 1 pound</u>
• 5¢ first 2 ozs.	Single fourth class zone rate
• 3¢ each additional 2 ozs. for outgoing and return postage	

Rates were increased again in 1971, 1976, 1977 and 1978 with the same relationships to third and fourth class rates as were established in 1968. This tariff is now expressed as a percentage of third and fourth class rates and therefore is subject to all third and fourth class rate increases. In 1972, the weight limit was extended to 35 pounds.

<u>Date</u>	<u>Under 1 pound</u>	<u>Over 1 pound</u>
• July 1, 1971	6¢ first 2 ozs. 3¢ each additional 2 ozs.	Single fourth class zone rate
• September 1, 1976	8¢ first 2 ozs. 4¢ each additional 2 ozs.	Single fourth class zone rate
• March 1, 1977	10¢ first 2 ozs. 5¢ each additional 2 ozs.	Single fourth class zone rate
• April 1, 1978	Current third class rate	Single fourth class zone rate

Appendix 3 shows the complete rate schedule.

9.0 CONCLUSIONS

The problems of dealing with second class mail epitomize the difficulties of the Post Office. The public demands an efficient service at well below the actual cost of providing it. With second class mail the tradition of healthy subsidies is particularly well entrenched. Only in recent years has there been a serious attempt by the Post Office, with the support of the government, to overcome the inertia of past years and place itself in a more favourable overall financial position. While second class mail rate increases were once avoided to avoid controversy, they have of late been considered integral to the total picture of cost recovery.

A comparison of the statutory pound rates for second class mail with the first class letter rate gives an idea of how the cost recovery figures for second class mail have deteriorated in the last dozen years, and why the Post Office considers it important to improve the second class deficit. In 1968 the statutory pound rate for second class mail was basically comparable to the first class letter rate (for 1 oz.). By 1978 the statutory pound rate was only about 50 percent of the first class letter rate. Table 3 shows the rates for comparison.

TABLE 3: FIRST AND SECOND CLASS POSTAL RATE
COMPARISONS 1968-1978

Date	Statutory Pound Rates	First Class Letter Rate (under 1 oz.)
Before 1968	1.5¢-4¢/lb. depending on category	5¢
November 1, 1968		6¢
April 1, 1969	4¢/lb.	
October 1, 1969	4.5¢/lb.	
April 1, 1970	5¢/lb.	
July 1, 1971		7¢
January 1, 1972		8¢
September 1, 1976		10¢
March 1, 1977	6¢/lb	12¢
April 1, 1978	7.5¢/lb.	14¢

It can also be seen that once the increases resulting from Bill C-116 had been put into effect, the rate increases for second class have been much less frequent than for first class. As a final comparison, the total second class deficit can be compared with the overall postal deficit. Table 4 presents these figures.

TABLE 4: SECOND CLASS AND OVERALL POSTAL DEFICITS
(in millions of dollars) 1968-69 - 1978-79

Date	Second Class Deficit (excluding incoming mail from U.S.A.)	Overall Postal Deficit	Second Class Deficit as % of Total Deficit.
1968-69	36.41	90.3	.40
1969-70	22.53	52.9	.43
1970-71	28.48	100.6	.28
1971-72	25.25	77.0	.34
1972-73	29.91	90.9	.33
1973-74	35.65	177.2	.20
1974-75	44.40	320.9	.14
1975-76	68.81	546.2	.13
1976-77	75.00	578.7	.13
1977-78	85.85	546.2	.16
1978-79	88.01	485.6	.18

These figures show that despite the second class rate increases resulting from Bill C-116, the second class deficit as a percentage of the overall deficit remained high, if somewhat improved. Both types of deficit increased dramatically in the mid and late 1970's although the second class deficit as a percentage of the overall deficit is much improved. The greater frequency of first class rate increases, particularly the one in 1976, begins to show in the late 1970's with a reserved increase in the proportion of the second class contribution to the overall deficit.

Second class mail delivery is the most public service oriented of all postal activities. The question is whether this will continue to be true in the new era of aggressive pricing policy and change which began in 1976. If tradition is to offer any clues, then it can be expected that second class mail will retain its concessionary status, at least to some degree. Over one hundred years of service, three major government commissions and pressure for current postal consumers will influence the Post Office in decisions regarding this matter. A break from 25 percent cost recovery to full cost recovery seems unlikely in the near future, even assuming crown corporation status for the Post Office. The social and political importance of maintaining a strong domestic publishing industry in competition with quality foreign products is also still a major consideration. All factors considered, concessionary postal tariffs seem here to stay.

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APPENDIX 1

SECOND CLASS STATUTORY RATES

- Various Categories
- Free Postage

Source: Canada Post Office, Rates and Classification Division

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
All frequencies except for Semi-monthlies and Quarterlies	1¢ per lb.	1875	Prior to 1875 postage was calculated on the quarterly basis and postage paid in advance .30¢ per quarter for dailies 15¢ for thrice weeklies, 10¢ for twice weeklies and 5¢ for weeklies.
Semi-Monthlies and Quarterlies	1¢ per 4 ounces		
Specimen or Sample Copies	½¢ each weighing less than 1 ounce; 1¢ per 4 ounces otherwise		
Published at least monthly	Postage Free	1882	
Local Delivery - all frequencies - provided for by registration until 1951	½¢ each		
Semi-Monthlies and Quarterlies	1¢ per lb.	1889	
Specimen or Sample Copies	1¢ per lb.		
Delivery through local Post Office by Letter Carrier	1¢ per 4 ounces		
All frequencies	½¢ per lb. Weeklies and Semi-Monthlies free within 20 mile radius of place of publication	1899	
Weeklies, Semi-Monthlies and Monthlies	½¢ per lb. within 300 miles of place of publication in Canada - other than free. ½¢ per lb. beyond 300	1903	

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
Specimen or Sample Copies	1¢ per lb. limit of 1/3 of number sent by mail to subscribers; 1¢ per 4 ounces in excess of 1/3		
All frequencies	1½¢ per lb. other than free	1908	20 mile free area increased to 40 mile radius of place of publication.
Si-Monthlies and Quarterlies	2¢ per lb.	1920	Weeklies and Monthlies within 40 miles radius of publication except local delivery by letter carrier in a place of publication having less than 10,000 population to the extent of 2,500 copies free.
Specimen or Sample Copies	2¢ per lb. limited to 1/3 of number sent by mail to subscribers; 1¢ per 4 ounces in excess of 1/3		
Dailies, Tri-Weeklies, Semi-Weeklies and Weeklies, Semi-Monthlies and Weeklies	3/4¢ per lb. other than free	1 January 1921	
	1½¢ per lb. other than free	1 January 1922	
	1¢ per lb. other than free	1927	
Dailies, Tri-Weeklies, Semi-Weeklies	1¢ per lb. circulation under 10,000 other than free	1931	
	1½¢ per lb. circulation over 10,000 other than free		
"	4¢ per lb. on the advertising when advertising portion exceeds 50% of the portion devoted to advertising	1933	

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
Dailies - circulation under 10,000	2½¢ per lb.	2 July 1951	
Dailies - circulation over 10,000	2½¢ per lb. on the news content 4¢ per lb. on the advertising content		
Tri Weeklies and Semi-Weeklies circulation under 10,000	2¢ per lb.		
Tri Weeklies and Semi-Weeklies over 10,000	3¢ per lb.		
Weeklies circulation under 10,000	1½¢ per lb. other than free		
Weeklies - circulation 10,000 to 50,000	2½¢ per lb. other than free		
Weeklies - circulation over 50,000	3¢ per lb. other than free		
Semi-Monthlies, Fortnightly, and Monthlies - circulation under 10,000	1½¢ other than free		
Semi-Monthly, Fortnightly, and Monthlies - circulation over 10,000	1 3/4¢ per lb. other than free		

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE

RATES

DATE OF CHANGE

REMARKS

Less than monthly but at least
Quarterly

2¢ per lb.

Devoted to Religion, Agriculture
or the Sciences1½¢ per lb.
(regardless of circulation)Local Delivery through letter
carrier offices1¢ first 2 ounces
2¢ next 2 ounces and
2¢ for each additional 4 ounces
or fractionSpecimen or Sample
Copies4¢ per lb. limited to 1/3 of
number sent by mail to
subscribers; 1¢ for first 2 ounces
2¢ for the next 2 ounces and 2¢
for each additional 4 ounces
or fraction. in excess of 1/3Dailies (includes publications
published more frequently
than weekly)4¢ per lb. on the new content
9¢ per lb. on the advertising
content
2¢ piece minimum

1 April 1969

The publication must have
more than 70% of the space
therein devoted to
advertising in more than
50% of the issues in a
year and the subscription
price must be at least
50¢ a year.Weekly community newspapers
(circulation under 10,000 -
published in a place having a
population of not more than
10,000 persons)4¢ per lb.
2¢ piece minimum
(A total of 2500 copies may be
delivered within 40 miles of
place of publication postage
free).

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
Other publications	4¢ per lb. 2¢ piece minimum		
Dailies (includes publications published more frequently than weekly)	4.5¢ per lb. on the news content 12¢ per lb. on the advertising content 2¢ piece minimum	1 October 1969	
Weekly community newspapers (circulation under 10,000 - published in a place having a population of not more than 10,000 persons)	4.5¢ per lb. (2,500 postage free) 2¢ piece minimum		
Other publications	4.5¢ per lb. 2¢ piece minimum		
Dailies (includes publications published more frequently than weekly)	5¢ per lb. on the news content 15¢ per lb. on the advertising content 2¢ piece minimum	1 April 1970	
Weekly community newspapers (circulation under 10,000 - published in a place having not more than 10,000 persons)	5¢ per lb. (2,500 postage free) 2¢ piece minimum		
Other publications	5¢ per lb. 2¢ piece minimum		

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
Dailies (includes publications published more frequently than weekly)	6¢ per lb. on the news content 18¢ per lb. on the advertising content 2.4¢ piece minimum	1 March 1977	
Weekly community newspapers (circulation under 10,000 - published in a place having not more than 10,000 persons)	6¢ per lb. (2,500 postage free) 2.4¢ piece minimum		
Other publications	6¢ per lb. 2.4¢ piece minimum		
Dailies, etc.	7.5¢ per lb. on the news content 22.5¢ per lb. on the advertising content 3¢ piece minimum	1 April 1978	
Weekly, etc.	7.5¢ per lb. (2500 postage free) 3¢ piece minimum		
Other publications	7.5¢ per lb. 3¢ piece minimum		

CONT'D

SECOND CLASS
STATUTORY

RATES OF POSTAGE

FREQUENCY OF ISSUE	RATES	DATE OF CHANGE	REMARKS
Dailies, etc.	8.5¢ per lb. on the news content 25.5¢ per lb. on the advertising content 3.4¢ piece minimum	1 April 1979	
Weekly, etc.	8.5¢ per lb. (2500 postage free) 3.4¢ piece minimum		
Other publications	8.5¢ per lb. (2500 postage free) 3.4¢ piece minimum		
Dailies, etc.	17¢ per kg on the news content 56.3¢ per kg on the advertising content 3.4¢ piece minimum	1 July 1979	Rationalized metric conversion introduced
Weekly, etc.	17¢ per kg (2500 postage free) 3.4¢ piece minimum		Free zone radius of 40 miles changed to 65 kilometers
Other publications	17¢ per kg 3.4¢ piece minimum		

SECOND CLASS
STATUTORY

<u>RATES</u>	<u>DATE OF CHANGE</u>	<u>REMARKS</u>
FREE POSTAGE	1882	The free transmission of publications published at least monthly addressed for delivery within Canada but outside the place of publication was established. Copies for local delivery, however, required the necessary postage.
	1889	Publications restricted to those published on a frequency of not more than weekly and not less than monthly. The free transmission was reduced to copies addressed for delivery to places not having letter carrier service but within a 20 mile radius of the place of publication.
	1908	The limit of 20 miles radius was increased to 40 mile radius of the place of publication.
	1920	The population of the place of publication was restricted to 10,000 persons and the number of copies eligible for free postage was set at 2,500.
	1 April, 1969	Publications restricted to weekly community newspapers published and mailed in a city, town or village having a population of not more than 10,000 persons. A total of 2,500 copies may be delivered within 40 miles of the place of publication free of postage to post offices with no letter carrier services.

APPENDIX 2

SECOND CLASS REGULATORY

- Canadian Publishers, Non-Subscribers in Canada
- Canadian Publishers, Mailings to Other Countries
- Second Class, Foreign Publishers' Mailing (Mailed in Canada)
- Non Canadian Publications, Printed in Canada

Source: Canada Post Office, Rates and Classification Division

SECOND CLASS
REGULATORY

RATES OF POSTAGE

CANADIAN PUBLISHERS NON-SUBSCRIBERS IN CANADA	RATES	DATE OF CHANGE	REMARKS
Copies for delivery to places having letter carrier service in Canada	1¢ per 4 ounces or fraction	Prior to 1951	
Non-subscribers	1¢ first 2 ounces, 1¢ for the next 2 ounces and 1¢ for each additional 4 ounces or fraction	1951	
Non-subscribers	3¢ first 2 ounces 2¢ each additional 2 ounces or fraction	1 April 1969	
Non-subscribers	3.5¢ first 2 ounces 2.4¢ each additional 2 ounces or fraction	1 March 1977	
Non-subscribers	4.4¢ first 2 ounces 3¢ each additional 2 ounces or fraction	1 April 1978	
Non-subscribers	5.0¢ first 2 oz. 3.5¢ each additional 2 oz. or fraction	1 April 1979	
Non-subscribers	4.8¢ first 50 g 3.1¢ each additional 50 g or fraction	1 July 1979	Rationalized metric conversion introduced

SECOND CLASS
REGULATORY

RATES OF POSTAGE

CANADIAN PUBLISHERS
MAILINGS TO OTHER COUNTRIES

RATES

DATE OF CHANGE

REMARKS

Copies to subscribers in the
Commonwealth countries (except
Australia)

Statutory pound rate

1951

Copies to Australia

2¢ first 4 ounces
1¢ each additional
4 ouncesCopies to North, Central,
South America and Spain
(except U.S.A.)3¢ first 2 ounces
2¢ each additional
2 ounces up to 1 lb.
over 1 lb. - 1¢ each 2 ouncesCopies to all other countries
(except U.S.A.)4¢ first 2 ounces
2¢ each additional
2 ounces or fractionCopies to U.S.A., its Territories
and Possessions3¢ first 2 ounces
1¢ each additional
2 ounces or fraction

SECOND CLASS
REGULATORY

RATES OF POSTAGE

CANADIAN PUBLISHERS MAILINGS TO OTHER COUNTRIES	RATES	DATE OF CHANGE	REMARKS
Copies to North Central, South America & Spain (except U.S.A.)	5¢ first 2 ounces 3¢ each additional 2 ounces or fraction	1 November 1968	
Copies to all other countries (except U.S.A.)	6¢ first 2 ounces 3¢ each additional 2 ounces or fraction		
Copies to all countries excluding the U.S.A.	0 ounce - 1 ounce 4¢ 1 ounce - 2 ounces 6¢ 2 ounces - 4 ounces 7¢ 4 ounces - 8 ounces 11¢ 8 ounces - 1 pound 20¢ 1 pound - 2 pounds 33¢ 2 pounds - 4 pounds 65¢ Direct bags for items weighing over 4 lb. up to 60 lb. 65¢ first 4 lb. plus 32¢ for each additional 2 lb. or fraction	1 July 1971	
Copies to all countries including the U.S.A.	0 ounce - 1 ounce 5¢ 1 ounce - 2 ounces 8¢ 2 ounces - 4 ounces 11¢ 4 ounces - 8 ounces 20¢ 8 ounces - 1 pound 36¢ 1 pound - 2 pounds 59¢ 2 pounds - 4 pounds 83¢ Direct bags each 2 lb. up to a maximum of 60 lb. - 53¢	1 January 1976	

NOTE: Continued on following page

SECOND CLASS
REGULATORY

RATES OF POSTAGE

CANADIAN PUBLISHERS
MAILINGS TO OTHER COUNTRIES
(CONTINUED)

RATES

DATE OF CHANGE

REMARKS

0 ounce - 1 ounce 6¢
 1 ounce - 2 ounces 10¢
 2 ounces - 4 ounces 14¢
 4 ounces - 8 ounces 25¢
 8 ounces - 1 pound 45¢
 1 pound - 2 pounds 76¢
 2 pounds - 4 pounds 1.08
 Direct bags each 2 lb. up to
 a maximum of 60 lb. - 69¢

1 January 1977

Copies to all countries including
the U.S.A.

Up to 1 oz. 7¢
 Over 1 oz. up to 2 oz. 12¢
 Over 2 oz. up to 4 oz. 16¢
 Over 4 oz. up to 8 oz. 30¢
 Over 8 oz. up to 1 lb. 54¢
 Over 1 lb. up to 2 lb. 90¢
 Over 2 lb. up to 4 lb. 1.26
 Direct bags - each 2 lb. up to
 a maximum of 60 lb. - 81¢

1 April 1978

Copies to all countries including
the U.S.A.

Up to 1 oz. 9¢
 Over 1 oz. up to 2 oz. 14¢
 Over 2 oz. up to 4 oz. 19¢
 Over 4 oz. up to 8 oz. 33¢
 Over 8 oz. up to 16 oz. 60¢
 Over 1 lb. up to 2 lb. 1.00
 Over 2 lb. up to 4 lb. 1.41
 Direct bags - each 2 lb. up to
 a maximum of 60 lb. - 90¢

1 April 1979

SECOND CLASS
REGULATORY

RATES OF POSTAGE

CANADIAN PUBLISHERS
MAILING TO OTHER COUNTRIES
(CONTINUED)

RATES

DATE OF CHANGE

REMARKS

Copies to all countries including
the U.S.A.

Up to 20 g 9¢
Over 20 g up to 50 g 14¢
Over 50 g up to 100 g 19¢
Over 100 g up to 250 g 33¢
Over 250 g up to 500 g 60¢
Over 500 g up to 1 kg 1.00
Over 1 kg up to 2 kg 1.41
Direct bags - each kg up to a
maximum of 30 kg - 90¢

1 July 1979

Rationalized metric
conversion
introduced

SECOND CLASS
FOREIGN PUBLISHERS' MAILING
(MAILED IN CANADA)

RATES OF POSTAGE

E1

RATES	DATE OF CHANGE	REMARKS
Published not less than once a month		
1¢ per lb	1908	Foreign publications may be forwarded by their publishers to a representative for mailing at a Canadian post office addressed for delivery to bona fide subscribers and newsdealers in Canada. Copies for delivery in local letter carrier area are subject to: 1¢ first 2 ounces, 1¢ next 2 ounces and 1¢ each additional 4 ounces or fraction.
2¢ per lb	1927	
1½¢ per lb	1947	
Bi-monthlies and quarterlies		
2¢ per lb on news content		
4¢ per lb on advertising content		When advertising exceeds 50% portion devoted to advertising.
Published more frequently than monthly	2 July, 1951	
2½¢ per lb on new content		
4¢ per lb on advertising content		
Published weekly		
3¢ per lb		
Published less frequently than once a week but not less than once a month		
1 3/4¢ per lb		

CONT'D

E2

SECOND CLASS
FOREIGN PUBLISHERS' MAILING
(MAILED IN CANADA)

RATES	DATE OF CHANGE	REMARKS
Published less frequently than once a month but not less than quarterly		
2¢ per lb		
5¢ per lb	1 August, 1961	
	1 January, 1968	Copies for delivery to non-subscribers in Canada. Third class rate of 3¢ first 2 ounces and 2 ounces each additional 2 ounces up to 1 lb. Over 1 lb 1¢ each additional 2 ounces
2.5¢ first 2 ounces and .5¢ each additional 2 ounces or fraction	1 November, 1968	Copies for delivery to non-subscribers in Canada. Up to 1 lb 5¢ first 2 ounces and 3¢ each additional 2 ounces. Over 1 lb fourth class rates
0 ounces - 2 ounces 2.5¢	1 October, 1971	Copies for delivery to non-subscribers in Canada third or fourth class rates whichever is applicable.
2 ounces - 4 ounces 4¢		
4 ounces - 8 ounces 6¢		
8 ounces - 1 pound 10¢		
1 pound - 2 pounds 15¢		
2 pounds - 4 pounds 24¢		
0 ounce - 2 ounces 3.5¢	1 January, 1976	
2 ounces - 4 ounces 6¢		

CONT'D

SECOND CLASS
FOREIGN PUBLISHERS' MAILING
(MAILED IN CANADA)

RATES	DATE OF CHANGE	REMARKS
4 ounces - 8 ounces 9¢		
8 ounces - 1 pound 17¢		
1 pound - 2 pounds 28¢		
2 pounds - 4 pounds 45¢		
4.4¢ first 2 oz. 3¢ each additional 2 oz. up to 2 lb. over 2 lb. up to 4 lb. 72¢ over 4 lb. up to 66 lb. 36¢ each additional 2 lb.	1 April 1978	Up to 2 lb. rate is identical to non-subscriber rate in Canada. Over 2 lb. it is similar to U.S.A. to Canada rate.
5.5¢ first 2 oz. 3.8¢ each additional 2 oz. up to 2 lb. over 2 lb. up to 4 lb. 90¢ over 4 lb. up to 66 lb. 45¢ each additional 2 lb.	1 April 1979	
5.3¢ first 50 g 3.3¢ each additional 50 g up to 1 kg over 1 kg up to 2 kg \$1.00 over 2 kg up to 30 kg 50¢ each additional kg	1 July 1979	Rationalized metric conversion introduced

SECOND CLASS
REGULATORY

RATES OF POSTAGE

NON CANADIAN PUBLICATIONS
PRINTED IN CANADA

RATES

DATE OF CHANGE

REMARKS

Copies for delivery to bona
fide subscribers in CanadaThe statutory pound rates which
apply to Canadian publications

Prior to 1969

4¢ per lb.
2¢ per piece minimum

1 April 1969

4.5¢ per lb.
2¢ per piece minimum

1 October 1969

5¢ per lb.
2¢ per piece minimum

1 April 1970

6¢ per lb.
2.4¢ per piece minimum

1 March 1977

7.5¢ per lb.
3¢ per piece minimum

1 April 1978

Copies for delivery to bona
fide subscribers in Canada9.5¢ per lb.
3.8¢ per piece minimum

1 April 1979

19.0¢ per kg
3.8¢ per piece minimum

1 July 1979

Rationalized metric
conversion introduced

SECOND CLASS
REGULATORY

RATES OF POSTAGE

NON CANADIAN PUBLICATIONS
PRINTED IN CANADA

RATES

DATE OF CHANGE

REMARKS

Copies for delivery to non-
subscribers in Canada

1¢ first 2 oz., 1¢ next 2 oz.
and 1¢ each additional 4 oz.
or fraction

Prior to 1969

3¢ first 2 oz. and 2¢ each
additional 2 oz. or fraction

1 April 1969

3.5¢ first 2 oz. and 2.4¢
each additional 2 oz. or
fraction

1 March 1977

4.4¢ first 2 oz.
3¢ each additional
2 ounces or fraction

1 April 1978

Copies for delivery to
non-subscribers in Canada

5.5¢ first 2 oz.
3.8¢ each additional
2 oz. or fraction

1 April 1979

5.3¢ first 50 g
3.3¢ each additional
50 g or fraction

1 July 1979

Rationalized metric
conversion introduced

APPENDIX 3

- Books
- Educational Films
- Library Book Rate

Source: Canada Post Office, Rates and Classification Division

BOOKS

RATE	DATE OF CHANGE	REMARKS
Books mailed by Publishers, Book Clubs, wholesale and retail distributors: 14¢ first 10 ounces, 1¢ each additional 2 ounces to each separate address <u>Limit of Weight: 25 lbs.</u>	Inaugurated November 1, 1968	A new "Book" category was established comprising of only bound books consisting of reading material that contain no advertising other than incidental announcements of books. (Excluded from this category are: Catalogues and price lists; street, telephone and trade directories; business commercial, technical and stock listings; photo and stamp albums; diaries; and unbound books or parts thereof).
NOTE: Items weighing less than 10 oz. each may be mailed at the option of the mailer at the third class rates.	January 1, 1972	Limit of weight: 35 lbs.
20¢ for the first lb. plus 5¢ each additional half lb.	March 1, 1977	
25¢ for the first lb. plus 6¢ each additional half lb. or fourth class rates, whichever is the least.	April 1, 1978	

BOOKS

RATE	DATE OF CHANGE	REMARKS
31¢ for the first lb. plus 7¢ each additional half lb. or fourth class rates, whichever is the least	April 1, 1979	
31¢ for the first .5 kg plus 8¢ each additional .25 kg or fourth class rates, whichever is the least.	July 1, 1979	Rationalized metric conversion introduced

LIBRARY BOOKS

RATE	DATE OF CHANGE	REMARKS
5¢ for the first pound 2¢ each additional pound	April 24, 1939	Rate covers both outgoing and return postage.
6¢ for the first pound 1¢ each additional pound	Dec. 7, 1946	
7¢ for the first pound 3¢ each additional pound	April 2, 1951	
25% of regular third or fourth class rates assessed as single prepayment against the given weight of the item at time of mailing (covering both the outgoing and return postage)	April 1, 1978	Examples: Third Class rate: $19¢ \times 25\% = 4.75¢$ (5¢) Fourth Class rate: $\$1.15 \times 25\% = 28.75$ (3 lb.) Rate 3 (29¢) In calculating postage, where fraction of a cent is encountered, round-off to next cent (5¢) and (29¢) as in examples.
0 - 2 oz. 4¢ 2 - 4 oz. 6¢ 4 - 6 oz. 9¢ 6 - 8 oz. 11¢ 8 - 10 oz. 13¢ 10 - 12 oz. 15¢ 12 - 14 oz. 18¢ 14 - 16 oz. 20¢	April 1, 1979	Over 1 lb. 25% of regular fourth class rates. Rates cover both the outgoing and return postage.
0 - 50 g 4¢ 50 - 100 g 6¢ 100 - 150 g 8¢ 150 - 200 g 10¢ 200 - 250 g 12¢ 250 - 300 g 14¢ 300 - 350 g 16¢ 350 - 400 g 18¢ 400 - 450 g 20¢ 450 - 500 g 22¢	July 1, 1979	Rationalized metric conversion introduced. Over 500 g 25% of regular fourth class rates

POSTAL RATES & CLASSIFICATION

DOMESTIC RATES

<u>Item</u>	<u>Rate</u>	<u>Date of Change</u>	<u>Explanations</u>
Educational Films	Single provincial parcel post rate which includes both outgoing and return postage paid by the Dept. of Education	Oct. 1, 1943	
			The Depts. of Education have special sticker labels printed which are affixed to the parcel of films in- dicating that they may be returned free of postage. (Section 588.4 of Canada Postal Guide)
		April 2nd, 1951	Parcel post rates increased
		March 1st, 1961	Parcel post rates increased
		Oct. 1st 1967	The new single regional surface parcel post rate covers both the Outgoing and Return Postage.

EDUCATIONAL FILMS (Cont'd.)

RATE	DATE OF CHANGE	EXPLANATIONS
(a) <u>Not exceeding 1 lb.</u> 5¢ first 2 oz. or fraction 3¢ each additional 2 oz. or fraction covering the outgoing & return postage	November 1, 1968	Due to the new classification of third and fourth class matter Less than 1 lb. - Third Class Over 1 lb. - Fourth Class
(b) <u>Over 1 lb.</u> Single fourth class zone rate, covering both the outgoing and return postage.		
(a) <u>Not exceeding 1 lb.</u> 6¢ first 2 oz. or fraction 3¢ each additional 2 oz. or fraction covering the outgoing and return postage.	July 1, 1971	Less than 1 lb. - Third Class Over 1 lb. - Fourth Class
(b) <u>Over 1 lb.</u> Single fourth class zone rate, covering both the outgoing and return postage.	January 1, 1972	Weight limit extended to 35 lbs.
(a) <u>Not exceeding 1 lb.</u> 8¢ first 2 oz. or fraction 4¢ each additional 2 oz. or fraction covering the outgoing and return postage.	September 1, 1976	
(b) <u>Over 1 lb.</u> Single fourth class, zone rate covering both the outgoing and return postage.		

EDUCATIONAL FILMS (Cont'd.)

RATE	DATE OF CHANGE	EXPLANATIONS
a) <u>Not exceeding 1 lb.</u> 10¢ first 2 oz. or fraction 5¢ each additional 2 oz. or fraction covering the outgoing and return postage	March 1, 1977	
b) <u>Over 1 lb.</u> Single fourth class, zone rate covering both the outgoing and return postage		
Current third class rate up to one pound - over one pound current fourth class zone rate covering both the outgoing and return postage.	April 1, 1978	
Third class rates up to one lb. - over one lb. fourth class zone rates covering both the outgoing and return postage	April 1, 1979	
Third class rates up to 500 grams - over 500 grams fourth class zone rates covering both the outgoing and return postage	July 1, 1979	Rationalized metric conversion introduced

APPENDIX 4

BILL C-116

1. New Classification Structure - 1968
2. Comparison of Number of Statutory Publications
Pre and Post 1968
3. Annual Lists 1974-78

Source: 1. Postal Legislation, 1968

2 & 3. Rates and Classification Division, Canada
Post Office

BILL C-116

DEFINITIONS

DAILIES

For the purpose of the new legislation, a "Daily Canadian newspaper" is a Canadian newspaper that is published more often than once a week. It includes the regular dailies, such as Le Soleil, The Ottawa Citizen, The Toronto Globe and Mail. It also includes newspapers published only two or three times a week, i.e., the semi- and tri-weeklies such as Neepawa Press, Neepawa, Man. and Globe and Mail Report on Business, Toronto.

WEEKLIES

A "Weekly Canadian newspaper" under the Bill is a newspaper that is published once a week, has a total circulation not over 10,000 copies per issue and is published primarily for the residents of the place of publication, i.e., the news and other material primarily is of local interest.

Some examples are Rodney Mercury, Rodney, Ontario, Le Flambeau, Mont Laurier, P.Q., St. Paul's Journal, St. Paul, Alta., King's County Record, Sussex, N.B.

OTHER
PUBLICATIONS

Under the Bill these will be all newspapers and periodicals, other than dailies and weeklies as above, which meet requirements for statutory privileges.

A few examples are Maclean's magazine; The Canadian Register; La Ferme; Financial Post; Le Petit Journal and La Patrie.

REGULATION
PUBLICATIONS

This term includes all newspapers and periodicals which will not meet the new requirements under Section 11 of the Post Office Act for admissibility at the statutory rates but will be acceptable at a second class rate to be established by regulation.

One example will be the business or trade periodicals which, because of their controlled circulation will not qualify for acceptance under statutory privileges. Some in question are Canadian Grocer and Canadian Printer and Publisher, both published by Maclean-Hunter, and Canadian Plastics and Office Administration published by Southam Business Publications.

Another example is Reader's Digest and Time for which the postage rate will be set by regulation.

Included also in the regulation publications are the foreign publications which have mailed-in-Canada privileges. Amongst these are Life, McCall's Magazine, Red Book and National Geographic Journal.

NOTE:

Publications which do not meet the requirements of Section 11 or the requirements of regulations will be excluded from second class and be subject to printed matter rates. Examples: Legionary; The Canadian Professional Engineer; the Postal Tribune; The Free Mason; The Liberal Report; The Royal Bank Monthly

Statutory Publications by Classification

General News	1013
Religion	216
Sciences	11
Agriculture	17
Forestry	1
Fisheries	2
Literature or the Arts	45
Public Health	23
Business or Trade	158
Association Publications	182
Trade Union	12
Credit Union or Cooperative	1
Church Congregation	4
Political Party	6
House Organs	5

GRAND TOTAL 5291

Total statutory publications 1696

Total regulatory publications 3595

As at December 31, 1968

NUMBER OF NEWSPAPERS AND PUBLICATIONS BY CATEGORIES (ADMISSIBLE AT 2ND CLASS REDUCED RATES)

	General News	Religion	Business	Agriculture	Others	Total
Daily	141 [*]	-	5	-	1	147
Rural Weeklies	508	1	-	-	-	509
Other Statutory	321	211	56	42	132	762
Regulatory	280	157	211	45	109	802
Mailed In Canada	90	20	9	1	14	134
	1,340	389	281	88	256	2,354

As of December 31, 1970

* Including 28 semi-weekly - tri-weekly papers.

From April '73 to January '78 (58 months)

	New Publications	Ceased Publications	Amendments	Rejections
Total	1,222	870	1,732	505
Average	(21)	(15)	(30)	(9)

NUMBER OF NEWSPAPERS AND PERIODICALS BY CATEGORIES
(ADMISSIBLE AT 2ND CLASS REDUCED RATES)

	General News	Religion	Business	Agriculture	Others	Total
Daily	140 *	-	5	-	-	145
Rural Weeklies with free area	494	-	-	-	-	494
Other Statutory	324	191	55	46	138	754
Regulatory	507	215	232	63	189	1206
Mailed in Canada	130	39	9	-	17	195
Printed in Canada	6	8	-	-	3	17
	1,601	453	301	109	347	2,811

As of March 31, 1974

* Including Semi-weekly, Tri-weekly papers.

SECOND CLASS MAIL

NUMBER OF PUBLICATIONS AS OF OCTOBER 15, 1975

STATUTORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
1	Dailies (More Than 1 per Week)	137
2	Weeklies (Free Area)	492
3	Others	728

REGULATORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
4	Canadian Publications (Non-Subs - Less Than 50%)	1323
5	Foreign Publications Mailed in Canada (Subs)	229
6	Non Canadian Publications in Canada (Time)	19

TOTAL	<u>2928</u>
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SECOND CLASS MAIL

NUMBER OF PUBLICATIONS AS OF MARCH 1, 1976

STATUTORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
1	Dailies (More Than 1 per Week)	132
2	Weeklies (Free Area)	431
3	Others	746

REGULATORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
4	Canadian Publications (Non-Subs - Less than 50%)	1387
5	Foreign Publications Mailed in Canada (Subs)	206
6	Non Canadian Publications in Canada (Time) *	15
TOTAL		<hr/> 2967 <hr/>

SECOND CLASS MAIL

NUMBER OF PUBLICATIONS AS OF 30 SEPTEMBER, 1977

STATUTORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
1	Dailies (More Than 1 per Week)	139
2	Weeklies (Free Area)	482
3	Others	741

REGULATORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
4	Canadian Publications (Non-Subs - Less than 50% paid)	1555
5	Foreign Publications Mailed in Canada (Subs)	223
6	Non Canadian Publications Printed in Canada (Time)	<u>18</u>
	TOTAL	<u>3158</u>

SECOND CLASS MAIL

NUMBER OF PUBLICATIONS AS OF 21 FEBRUARY 1978

STATUTORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
1	Dailies (More Than 1 per Week)	145
2	Weeklies (Free Area)	470
3	Others	742

REGULATORY

<u>CODE</u>	<u>GROUP</u>	<u>NUMBER</u>
4	Canadian Publications (Non-Subs - Less than 50% paid)	1510
5	Foreign Publications Mailed in Canada (Subs)	217
6	Non Canadian Publications Printed in Canada (Time)	<u>21</u>
	TOTAL	<u>3105</u>

APPENDIX 5

SECOND CLASS MAIL DEFICITS

- 1950 - 1968
- 1968 - 1979

Source: Rates and Classification Division, Canada
Post Office

SECOND CLASS MAIL DEFICITS 1950-1969

	<u>REVENUE</u> \$	<u>COST</u> \$	<u>DEFICIT</u> \$
1950-51	4,272,528	17,755,948	13,483,420
1951-52	5,164,498	18,767,824	13,603,326
1952-53	5,375,427	20,104,122	14,728,695
1953-54	N O	R E P O R T	
1954-55	N O	R E P O R T	
1955-56	6,025,474	23,218,918	17,193,444
1956-57	6,332,599	25,190,143	18,857,544
1957-58	6,256,369	28,385,287	22,128,918
1958-59	6,189,125	27,879,069	21,689,944
1959-60	6,558,631	29,262,239	22,703,608
1960-61	6,613,890	31,487,313	24,873,423
1961-62	8,036,123	32,701,928	24,665,805
1962-63	8,386,126	33,664,232	25,278,106
1963-64	N O	R E P O R T	
1964-65	8,433,458	38,928,127*	30,494,669
1965-66	8,750,700	36,892,500*	28,141,800
1966-67	9,223,000	43,010,500*	33,787,500
1967-68	9,656,920	47,149,737*	37,492,817
(1)1968-69(Estimated)	9,866,000	57,774,000*	47,908,000

* Including Costs of Accommodation and costs for services rendered by other Government Departments.

(1)Reference: Programme Review 14-6-68

SECOND CLASS - NEWSPAPERS & PERIODICALS

REVENUE TO FULLY ALLOCATED COSTS BY CATEGORIES

<u>CATEGORIES</u>	<u>FISCAL YEAR</u>	<u>VOLUMES</u> (Pieces) (000's)	<u>REVENUE</u> (000's)	<u>COST</u> (000's)	<u>PERCENTAGE</u>	<u>RATE REVISION</u>
	1979-80					1-4-79
	1978-79	67,960	5,432	16,359	33.20	1-4-78
	1977-78	70,128	4,437	15,911	27.89	
	1976-77	71,355	3,900	14,900	26.17	1-3-77
DAILIES	1975-76	68,490	3,275	13,222	24.77	
(Statutory & Regulations)	1974-75	74,560	3,540	10,362	34.16	
	1973-74	75,773	3,541	8,902	39.78	
	1972-73	75,558	3,490	7,760	44.97	
	1971-72	77,062	3,532	6,884	51.31	
	1970-71	91,577	3,689	7,840	47.05	1-4-70
	1969-70	109,034	3,976	7,922	50.19	1-10-69
	1968-69	125,780	1,144	9,042	12.65	
	1979-80					1-4-79
	1978-79	49,657	991	11,187	8.86	1-4-78
	1977-78	56,856	994	12,525	7.94	
	1976-77	49,630	700	9,300	7.53	1-3-77
WEEKLIES	1975-76	47,487	559	8,868	6.30	
(Statutory & Regulations)	1974-75	52,275	662	6,527	10.14	
	1973-74	45,446	505	4,796	10.53	
	1972-73	44,818	486	4,092	11.88	
	1971-72	43,896	476	3,524	13.51	
	1970-71	46,438	454	3,513	12.92	1-4-70
	1969-70	45,144	585	2,884	20.28	1-10-69
	1968-69	44,666	368	2,700	13.63	
	1979-80					
	1978-79	25,524				
	1977-78	26,637				
	1976-77	24,761				
WEEKLIES	1975-76	25,456				
(Statutory	1974-75	25,156				
Free Area)	1973-74	24,386				
Volumes included	1972-73	24,335				
in Weeklies above	1971-72	23,609				
	1970-71	25,924				
	1969-70	not available				
	1968-69	not available				
	1979-80					1-4-79
	1978-79	240,558	9,139	56,647	16.13	1-4-78
	1977-78	232,690	6,976	50,121	13.92	
	1976-77	207,343	5,200	41,600	12.50	1-3-77
OTHERS	1975-76	206,053	4,721	38,822	12.16	
(Statutory & Regulations)	1974-75	211,083	4,817	28,728	16.77	
	1973-74	221,788	4,980	25,542	19.50	
	1972-73	219,249	4,936	22,573	21.87	
	1971-72	224,913	5,006	19,940	25.11	
	1970-71	245,159	5,110	20,651	24.74	1-4-70
	1969-70	252,516	5,073	13,217	27.85	1-10-69
	1968-69	297,577	2,575	19,662	13.10	

<u>CATEGORIES</u>	<u>FISCAL YEAR</u>	<u>VOLUMES</u> <u>(Pieces)</u> <u>(000's)</u>	<u>REVENUE</u> <u>(000's)</u>	<u>COST</u> <u>(000's)</u>	<u>PERCENTAGE</u>	<u>RATE REVISION</u>
CANADIAN REGULATIONS PUBLICATIONS	1979-80					1-4-79
	1978-79	81,820	6,435	19,875	32.38	1-4-78
	1977-78	78,504	4,971	18,288	27.18	
	1976-77	71,500	3,700	15,400	24.03	1-3-77
	1975-76	62,855	2,977	11,645	25.56	
	1974-75	57,517	2,770	6,024	45.98	
	1973-74	55,261	2,742	4,962	55.26	
	1972-73	51,849	2,580	4,061	63.53	
	1971-72	43,582	2,284	3,023	75.55	
	1970-71	48,354	2,318	3,175	73.01	
	1969-70	53,407	2,539	2,988	84.97	1-4-69
	1968-69	150,427	2,332	8,170	28.54	
FOREIGN PUBLICATIONS (Authorized to mail in Canada)	1979-80					1-4-79
	1978-79	46,895	7,037	13,064	53.87	1-4-78
	1977-78	44,488	5,347	11,725	45.60	
	1976-77	54,938	5,706	13,000	43.89	
	1975-76	49,017	3,797	9,583	39.62	1-1-76
	1974-75	49,863	3,179	7,726	41.15	
	1973-74	48,664	3,239	6,450	50.22	
	1972-73	52,308	3,407	6,318	53.93	
	1971-72	58,621	2,860	6,036	47.38	1-10-71
	1970-71	73,182	2,214	7,086	31.24	
	1969-70	58,482	2,340	5,035	46.47	
	1968-69	54,026	2,009	5,264	38.16	1-11-68
(Excluding incoming from U.S.A.) <u>GRAND TOTAL</u>	1979-80					
	1978-79	486,890	29,034	117,132	24.79	
	1977-78	482,666	22,725	108,570	20.93	
	1976-77	454,766	19,206	94,200	20.39	
	1975-76	433,902	15,329	82,140	18.66	
	1974-75	445,298	14,968	59,367	25.21	
	1973-74	446,932	15,007	50,652	29.63	
	1972-73	443,782	14,899	44,804	33.25	
	1971-72	448,074	14,158	39,407	35.93	
	1970-71	504,710	13,785	42,265	32.62	
	1969-70	518,583	14,513	37,046	39.18	
	1968-69	672,476	8,428	44,838	18.80	

INCOMING FROM U.S.A.	1975-76 *	-	-	-	-	
	1974-75	85,933	-	9,617	-	
	1973-74	83,430	-	7,916	-	
	1972-73	81,000	-	6,664	-	
	1971-72	78,452	-	7,257	-	
	1970-71	76,653	-	6,696	-	
	1969-70	74,420	-	5,392	-	
	1968-69	72,001	-	3,617	-	
TOTALS (Including incoming from U.S.A.)	1975-76	-	-	-	-	
	1974-75	531,221	14,968	68,984	21.70	
	1973-74	530,362	15,007	58,568	25.62	
	1972-73	524,782	14,899	51,468	28.95	
	1971-72	527,026	14,158	46,664	30.34	
	1970-71	581,363	13,785	48,961	28.15	
	1969-70	593,003	14,513	42,438	34.30	
	1968-69	744,477	8,428	48,455	17.39	

* No longer taken into account (see note "G" in R & E report 1975/76)



--Evolution of Canadian concess-
ionary postal tariffs and their
classification structure.

Date Due

NOV 8 1991

FORM 109

