THE EFFECT OF U.S. POSTAL RATES ON THE AMERICAN PERIODICAL INDUSTRY (STUDY)

FOR THE EVALUATION OF THE
POSTAL SUBSIDY PROGRAM

## Background Study

## Etude de base

# THE EFFECT OF U.S. POSTAL RATES ON THE AMERICAN PERIODICAL INDUSTRY (STUDY) 

FOR THE EVALUATION OF THE POSTAL SUBSIDY PROGRAM

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This is one of six Background Studies which form part of the evaluation of the Postal Subsidy Program.

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

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

# The Effect of U.S. Postal Rates on the American Periodical Industry 

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## EXECUTIVE SUMMARY

The tradition of concessionary postal tariffs in Canada pre-dates Confederation. The last major policy change corresponded with legislation in 1968 that changed the rates and classification system, eliminating applicants from second class rate eligibility if publishing was not the primary activity of the publisher. Almost half of the 5,000 beneficiaries of the program at that time subsequently lost their status.

Despite other major changes to the Postal Subsidy Program, including transfer of the responsibility for the cost of the program to the Secretary of State in 1977 and then to the Department of Communications in 1978, as well as the creation of the Canada Post Corporation in 1982, there has always been a strong reluctance to tamper with the policy of high subsidies for periodicals and newspapers. The concessionary categories have always created the most controversy while promising the least return in increased revenues of all the categories of mail. At present, periodicals receive over $\$ 30$ million of the approximately $\$ 55$ million contributed by the Department of Communications to the program.

This study represents one of six components of an evaluation of the Postal Subsidy Program. Its objective was to analyse the effects of major changes in U.S. postal rates on the American periodical publishing industry. Specifically, the study examined the method of elimination of postal subsidies, the impacts on various types of publications and the implications for Canada.

When the U.S. Postal Service was created in 1971, a new rate policy included the gradual elimination of subsidies to periodicals. In 1971 the costs for second class delivery were estimated to be three to four times the revenues. This is approximately the current estimated ratio of costs to revenues for the most advantageous rate category in Canada. Although the complete U.S. policy was to be implemented over sixteen years, most increases for periodicals were in effect after eight years. For the first three years there was little change to allow publishers the time to adapt. In the following five years, the subsidy was then eliminated and rates increased to fully cover costs.

The analysis was conducted at two levels. The available data and literature was reviewed to analyse the performance of the periodical publishing industry as whole. A sample of sixty periodicals was also selected for a more
detailed quantitative analysis at the publication level. The sample was stratified by five types of periodicals in a typology developed for the Canadian industry that included consumer, business, artistic/literary, scholarly/ educational and religious periodicals. Approximately equal numbers of each type of periodical were sampled. Time series data was collected for both levels of analysis, with the main focus being on the period from 1975 to 1984.

The review of the U.S. periodical industry revealed an industry that has shown strength and resiliance over the last fifteen years. There was a net entry of new firms and periodicals in the industry, total circulation has grown, profitability has remained stable, ranging between five and ten per cent, and advertising and circulation revenues are higher. The industry has had to absorb cost shocks from several different factors but has adapted and maintained its competitive advantage with other media. Much of the success of the industry appears to have been based on entrepreneurial creativity and innovation, with the form and quality of the product undergoing substantial change. There was also a large number of new special interest publications that entered the market in the late 1970's. Two areas of concern are the somewhat erratic nature of the growth in advertising revenues and the apparent slump in newsstand sales in the last few years.

Postal costs as a percentage of total expenditures have increased only marginally during the study period, rising only from $9.17 \%$ in 1972 to $9.46 \%$ in 1984, and ranging from a low of $8.04 \%$ (1975) to a high of $10.91 \%$ (1980). Some experiments with alternate distribution methods were undertaken following postal rate increases but their success was modest and non-postal distribution of subscription circulation remains negligible. Significantly, there were no real increases in either subscription or newsstand prices during the period, or in the prices charged to advertisers. When the performance of the industry is reviewed on a year by year basis, there is evidence that the industry was stable during the few years when postal rate increases were greatest and that most of the real growth occurred after the postal increases had finished.

The publications sampled for quantitative analysis were limited to those appearing in major industry reports containing audited circulation data. These reports represent the vast majority of the industry in terms of circulation and revenues. Non-profit publications were excluded from the analysis. The key variables analysed were subscription and single copy circulation, subscription and single copy prices, colour and black and white advertising rates, and postal costs. Descriptive statistics were generated for the sample as a whole as well as for the five periodical types.

In general, the results of the publication analysis are consistent with those of the industry analysis. Overall and subscription circulation increased, while prices to the consumer and advertiser did not. The sample publications as a whole performed successfully and there is no evidence that postal rate increases had any detrimental long term effects, although growth was negligible during the years when postal increases were greatest.

There were some clear differences between the five types of periodicals. The consumer publications, which represent approximately 65 per cent of total industry revenues, fared particularly well and demonstrated success in meeting competitive challenges. Business publications, which represent another 30 per cent of the industry revenues, have shown similar success. Of the smaller categories, religious publications have been the most consistent, exhibiting stability during the 1970 's and substantial growth during the 1980's. The other categories of artistic/literary and scholarly/educational periodicals have demonstrated much more instability however. While their performance as a whole over the ten year period has been modestly positive, circulation has been subject to substantial fluctuations and pricing has" been more volatile than for the other categories of periodicals. These changes do not have a clear and obvious relationship to postal rate increases however. On the whole the "cultural" publications seem to be more vulnerable to market forces than the dominant categories of publications.

In conclusion, the American periodical publishing industry as a whole has adapted well to the elimination of postal subsidies. Improved content and presentation, reduced production costs, and more specialized readership and advertisers have all contributed to the scucess of the industry. Three of the main features of the American postal program were that changes were well planned, increases were relatively gradual and publishers knew in advance what they would be. The ability of American publishers to adapt with production changes and new marketing strategies was significantly enhanced by this advance knowledge and time to plan.

While the conclusions for the American case appear quite positive, substantial differences between the Canadian and U.S. industries and markets are such that inferences should be made carefully. However, the evidence from the American experience suggests that the mainstream consumer and business publications in Canada are not in need of large postal subsidies. A well planned and phased reduction or elimination of the subsidy over a minimum five year period
should be considered to avoid damaging the industry. The vulnerability of the artisticliterary and scholarlyl educational periodicals indicates that some means of government support should be continued. This could be through a continued postal subsidy or through some alternate and more direct support mechanism.

## Resume de la direction

Au Canada, les tarifs postaux concessionnaires datent davant la confedération. Le dernier changement important $\begin{aligned} & \text { a } \\ & \text { tre apporté } \\ & \text { aux politiques coincide avec lelabor- }\end{aligned}$ ation, en 1968, des lois modifiant le systeme des tarifs postaux et de la classification et Eliminant l'admissibilite au tarif de deuxizme classe lorsque l'activite principale du bénéficiaire n'etait pas la publication. Conséquemment, près de la moitie des 5,000 bénéficiaires sont devenus inadmissibles au programme.

Bien que dautres changements importants aient ete apportés au Programme de subsides postaux, y compris le transfert de la responsabilite des coûts du programme au Secretariat d'Etat en 1977, puis au Ministère des Communications en 1978 ainsi que la création de la Sociéte canadienne des Postes en 1982, on a toujours hesite toucher aux politiques relatives aux subventions eleves octroyes aux périodiques et aux journaux. Les categories concessionnaires ont toujours souleve beaucoup de controverses alors que de toutes les categories de courrier, elles representent le revenu le plus bas pour la même augmentation des tarifs. Présentement, les périodiques reçoivent plus de 30 millions de dollars des 55 millions de dollars que le Ministere des Communications verse au programme.

Cette Etude constitue un des six Elements de l'évaluation du Programme de subsides postaux. Notre objectif était d'analyser les répercussions qu!ont eu les changement des tarifs postaux americains sur lindustrie des periodiques aux Etats-Unis. Plus precisement, nous nous sommes penchés sur les méthodes de suppression des subsides postaux, sur la façon dont les differents types de publications en sont affectés et sur ce que cela implique pour le Canada.

Au moment de la création du U.S. Postal Service en 1971, les politiques sur les nouveaux tarifs prevoyaient l'elimination graduelle des subsides aux periodiques. En 1971, on estimait que les colts de livraison du courrier de deuxieme classe etaient de trois quatre fois plus eleves que les revenus. Au Canada, cette proportion estípeu près la même actuellement pour la categorie de tarifs la plus avantageuse. Bien que le service postal americain prevoyait d'appliquer ses politiques sur une periode de seize ans, la plupart des augmentations touchant les periodiques etaient deja en vigueur huit ans plus tard. Très peu de changements ont ete effectues au cours des trois premieres annees afin d'accorder un periode d'ajustement aux editeurs. Au cours des cinq annes suivantes, les subsides ont ete elimines et
les tarifs augmentés de façon a complètement couvrir les couts.

L'analyse touche à deux niveaux. D'abord la documentations et les donnés disponibles ont ététudiés afin d'analyser le rendement de lindustrie des periodiques en tant qu'ensemble. Nous avons Egalement sélectionne soixante périodiques afin de faire une analyse quantitative détaillée au niveau de la publication. Cet échantillon a été stratifié selon cinq types de periodiques au moyen d'une typologie applicable à lindustrie canadienne et incluant les caté gories suivantes: intérêt général, affaires, littéraires/ artistiques, academiques/educatives et religion. Nous avons prélevé un nombre comparable de périodiques de chaque type pour notre échantillon. Des donnés chronologiques, couvrant la période de 1973 à 1984, ont été recueillies pour les deux niveaux d'analyse.

A l'examen, on constate qu'aux Etats-Unis, lindustrie des périodiques a fait preuve de vigueur et d'endurance au cours des quinze dernieres annés. On note que plusieurs maisons d'éditions ont été crées, que de nouveaux périodiques sont apparus sur le marché, que la distribution a augmentée, que le niveau de rentabilité est demeure stable, c'est-à-dire entre cinq et dix pour cent, et finalement, que les revenus provenant de la distribution et de la publicité ont augmentés. L'industrie a été obligée d'amortir les coûts supplémentaires reliés à divers facteurs mais elle s'est tout de même ajustée et est demeurée dans la course par rapport aux autres media. Ce succès semble être attribuable, en grande partie, à un esprit créatif et innovateur en ce qui a trait aux changements apportés au produit au niveau du format et de la qualite. Vers la fin des années '70, on note l'apparition sur le marché, d'un bon nombre de publications spécialisées. Par ailleurs, l'augmentation inégale des revenus découlant de la publicité et la baisse des ventes dans les kiosques $\grave{a}$ journaux, au cours des dernierres années, sont certainement matière a réflexion.

Les coûts d'expédition par la poste, en tant que pourcentage des dépenses totales, nont augmentés que légèrement au cours de la période qui nous intéresse, passant de $9.17 \%$ en 1972, a $9.46 \%$ en 1984 et dun minimum de $8.04 \%$ en 1975, ì un maximum de $10.91 \%$ en 1980. D'autres méthodes de distribution ont ete mises à l'essai sans trop de succès suite a laugmentation des tarifs postaux et la distribution par des moyens alternatifs demeure négligeable. Il est important de noter qu'aucune augmentation rélle des coots d'abonnement ou d'achat au kiosque ou encore des tarifs publicitaires n'a ete constater au cours de cette periode. En etudiant lindustrie année par année, on constate que
celle-ci est demeuree stable au cours des annés où les plus : importantes augmentations de tarifs ont ete appliquees et que la croissance reelle s'est produite apres cette periode.

L'Echantillon qui a servi $i$ lanalyse quantitative se limitait aux publications qui font partie des principaux rapports de lindustrie contenant des donnees verifiees relativement $i$ la distribution. Ces rapports sont representatifs de lindustrie en ce qui concerne la distribution et les revenus. Les publications a but non lucratif ont ete exclues de l'analyse. La distribution des abonnements et des exemplaires, le prix des abonnements et des exemplaires, les tarifs publicitaires pour la couleur et le noir et blanc ainsi que les coûts de poste représentent les variables principales de llanalyse. Des statistiques descriptives ont ete produites pour l'echantillon dans son ensemble ainsi que pour chacune des cinq categories de publications. En général, les résultats de l'analyse des publications se sont avéres compatibles avec les résultats de l'analyse de lindustrie. Dans l'ensemble, la distribution et le nombre dabonnements ont augmentes alors que les prix sont demeures les mémes pour l'acheteur et pour l'annonceur. Les publications etudies ont, dans lensemble, assez bien réussi et rien n'indique quì long terme, laugmentation des tarifs postaux ait eu des effets nuisibles bien que la croissance ait ete négligeable pendant la periode dapplication des augmentations les plus considerables.

Nous constatons de nettes differences entre les cinq categories de periodiques. Les publications dinterét genéral, qui représentent environ 65 pour cent du total des revenus de l'industrie, ont particulièrement bien reussi et ont ete $a$ la hateur de la concurrence. Les publications d'affaires, qui representent 30 pour cent des revenus de l'industrie ont eu à peu press le même succes. Dans les categories moins importantes, les publications caractere religieux ont eu le rendement le plus uniforme c'est-àdire qu'elles sont demeurees stables au cours des annees $\mathbf{1 7 0}$ et ont connu une croissance importante au cours des annés 180 . Par ailleurs, les atres categories (artistiques/littéraires et academiques/educatives) se sont averées beaucoup plus instables. Alors que dans lensemble, sur cette periode de dix ans, le rendement de ces publications est positif, bien que dans une très legère mesure, les fluctuations au niveau de la distribution et des prix sont beaucoup plus considerables que dans les autres categories. Ces changements ne sont toutefois pas relies de façon claire et Evidente laugmentation des tarifs postaix puisque les publications $i$ caractere culturel semblent, en general, etre plus vulnerables aux changements du marche que les principales categories de publications.

Nous pouvons donc conclure qu'en général, l'industrie américaine des periodiques s'est très bien ajustée a l'élimination des subsides postaux. Le succès de l'industrie est attribuable entre autres, ane meilleure présentation du produit, a l'amélioration du contenu, a la réduction des coûts de production, ainsi quia la publication d'un produit s'adressant à des groupes spécifiques de lecteurs et d'annonceurs. Le programme américain avait de particulier les trois caractéristiques principales suivantes: les changements avaient été bien planifiés, les augmentations ont été mises en vigueur de façon graduelle et finalement, les editeurs etaient au courant des augmentations ì venir. En informant les editeurs d'avance et en leur accordant du temps on leur a permis de mieux s'ajuster aux changements au niveau de la production et de prévoir de nouvelles stratégies de mise en marché.

Bien que les résultats semblent très positifs dans le cas des Américains, il faudra tenir compte des différences considérables qui existent entre le Canada et les Etats-Unis au niveau de l'industrie et du marché, avant de tirer des conclusions. Par ailleurs, l'expérience américaine démontre que les publications dans le domaine des affaires n'ont pas réellement besoin de subsides postaux importants. La possibilité de réduire ou d'éliminer les subsides postaux de façon organisée et graduelle, sur une période d'au moins cinq ans afin de minimiser les répercussions négatives sur l'industrie, serait à étudier. Quant aux publications à caractère éducatif/académique et artistique/littéraire, leur vulnérabilité suggère qu'elles devraient continuer de bénéficier de l'appui du gouverpement, soit au moyen de subsides postaux ou encore au moyen de mécanismes alternatifs d'aide plus directe.

In Canada vigorous debate has been carried on for many years about the merits of postal subsidies for periodical publishers. This debate was particularly active during the l960's when three royal commissions and much parliamentary, public and industry debate preceded the signing into law of Bill $C-116$ in 1968. In the last two decades, Bill C-116 has marked the most important change that has been made in the scope and extent with which concessionary postal rates have been applied. Major structural changes to the classification system and postal rates applicable to periodicals were implemented at that time. Over half of the 5,000 periodicals benefitting from the program were ruled ineligible primarily because publishing was not the main activity of the publisher.

Since 1968 there have been some important developments, including the transfer of responsibility for the cost of concessionary rates to the Secretary of State in 1978 and to the Department of Communications the following year, as well as the recent creation of the Canada Post Corporation. Despite these developments and numerous small rate increases, the overall level of subsidy to periodicals remains very high. The last seventeen years during which the subsidy status quo has been maintained, have been marked by a reluctance on the part of political and Post Office Officials to make changes in concessionary postal rate policy. In terms of overall rates and classification policy, changes to the concessionary categories have always sparked the most controversy and promised the least return in increased revenues.

Severe pressure on the new Canadian government to reduce a large budgetary deficit and numerous changes in the periodical publishing industry have instigated a reappraisal of concessionary postal rate policy. Any potential policy changes must ensure that the socio-economic and cultural objectives of the government are supported.

The purpose of this study is to provide information from the American experience that will benefit the development of Canadian concessionary postal rate policy. Many of the changes currently being considered in Canada were implemented in the U.S. years ago and evaluated in depth since that time. When the U.S. Postal Service was created in 1971, part of the new rate policy involved a gradual elimination of the generous subsidies provided to periodicals. In 1971 the ratios of costs to revenues for second class delivery were approximately the same as what they still remain in Canada.

This study examines the broad effects of postal subsidy reductions on the Amertican periodical publishing industry. It also attempts to assess the similarities between the Canadian and American industries and make inferences about what impacts new postal rate policies might have in Canada. To achieve these goals, we have conductéd the study using two methodological approaches, one primarily qualitative and the second primarily quantitative. One involves reviewing the literature, conducting interviews with experts in the field and collecting industry-level data to permit an analysis of the relationship between postal rate changes and the industry as a whole. The second approach involved more detailed quantitative analysis of a sample of American periodicals selected from five main categories of periodicals.

## Industry Composition

The U.S. magazine industry consists broadly of three major groupings:

- consumer magazines ( 67 per cent of 1982 magazine receipts);
o business/professional (30 per cent.of 1982 magazine receipts); and
- agricultural (three per cent of 1982 magazine receipts).

Literary and artistic periodicals are classified in the general and consumer category, and religious magazines are considered separately, although their total receipts (from both advertising and circulation) are essentially negligible.

According to 1982 U.S. Census Data there were 3,328 establishments involved primarily in the publishing of periodicals, or in preparing, publishing, and printing periodicals (see Exhibit 2.1), of which 690 ( 21 per cent) employed 20 or more people. In the 15 years from 1967 to 1982, the periodical industry grew by almost a third in terms of number of establishments, while the number of establishments with over 20 employees increased by over 50 per cent. While the proportion of large firms in the industry remained constant at 18 per cent from 1967 to 1977, it increased to 21 per cent in 1982.

EXHIBIT 2.1
Periodical Industry Composition

|  | Number of Periodical Establishments | Index | Number of <br> Periodical <br> Es tablishments <br> with 20 or <br> More Employees | Index | Percentage of Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1967 | 2510 | 100.0 | 454 | 100.0 | $18 \%$ |
| 1972 | 2534 | 101.0 | 452 | 99.6 | 18\% |
| 1977 | 2994 | 119.3 | 525 | 115.6 | 18\% |
| 1982 | 3328 | 132.6 | 690 | 152.0 | 21\% |
| Exhibit 2.2 shows the net number of new entrants into the industry in the periods 1967-72, 1972-77, and 1977-82 for firms of both over and under 20 employees. |  |  |  |  |  |
| EXHIBIT 2.2 <br> Net Number of New Entrants |  |  |  |  |  |
| Net New Firms(under 20 employees) $\quad$Net $\begin{array}{c}\text { New Firms } \\ \text { (over } 20 \text { employees) }\end{array}$ |  |  |  |  |  |
| 196 | -1972 | 26 |  | (-2) |  |
| 197 | -1977 | 387 |  | 73 |  |
|  | -1982 | 169 |  | 165 |  |

Source: U.S. Department of Commerce, 1982.

### 2.1.1 Regional Concentration

In terms of regional concentration, 34 of the 50 states had at least 150 people employed in the periodical industry. Eight states (see Exhibit 2.3) had over 100 establishments and 10 states had at least 20 firms with 20 employees or more (Florida with 182 establishments has only 16 large firms, while the District of Columbia with only 67 establishments has 22 firms with 20 or more employees). The 11 states listed in Exhibit 2.3 have two-thirds of the periodical establishments in the U.S. and three-quarters of the largest firms.

EXHIBIT 2.3
Regional Concentration

Number of
Number of
Establishments with 20 or more Establishments Employees

| New York | 603 | 183 |
| :--- | ---: | ---: |
| California | 455 | 87 |
| Illinois | 217 | 56 |
| Florida | 182 | 16 |
| Texas | 174 | 26 |
| Massachusetts | 115 | 25 |
| New Jersey | 109 | 22 |
| Pennsylvania | 109 | 23 |
|  |  | 30 |
| Ohio | 86 | 23 |
| Connecticut | 92 | 22 |
| District of Columbia | 67 | 513 |
| Total | 2209 | $74 \%$ |
| Percentage of U.S. | $67 \%$ |  |

Source: U.S. Department of Commerce. 1982.

### 2.1.2 Number of Periodicals

As with the 1982 Woods Gordon study of Canadian periodicals, problems of definition and inconsistent data collection approaches lead to estimates of the number of periodicals that vary by as much as 300 per cent. The Coopers and Lybrand 1985 study places the number of magazines in 1985 at 11,090 using the Magazine Publishers Association as a source based on consumer and business publications listed by the Audit Bureau of Circulations. Unfortunately, there is no breakdown of these figures into consumer, business, and agricultural categories. Our own findings, based directly on 1981 ABC data place the number at 4,277, of which l, 182 are consumer, 2,884 are business, and 211 are agricultural. See Exhibit 2.5 (next page).

### 2.1.3 Value of Shipments

To appreciate the growth of the industry in economic terms, the value of shipments from 1967 to 1982 increased from $\mathbf{3 , 0 9 5 . 9}$ million dollars to 11,478 million or 270.7 per cent. In real terms this growth amounted to 35.4 per cent (see Exhibit 2.4).

EXHIBIT 2.4
Value of Shipments (in billions)

|  | Value of Shipment <br> (Current Dollars) | Value of Shipment <br> (1981 Dollars) | Real <br> Change | Real <br> Change o |
| :---: | :---: | :---: | :---: | :---: |
| 1969 | 3.5 | 8.2 | - | - |
| 1970 | 3.2 | 7.0 | $(-1.2)$ | $(-14.6)$ |
| 1971 | 3.2 | 7.3 | .3 | 4.3 |
| 1972 | 3.5 | 7.0 | $(-.3)$ | $(-4.1)$ |
| 1973 | 3.9 | 7.5 | .5 | 7.1 |
| 1974 | 4.1 | 7.4 | $(-.1)$ | $(-1.3)$ |
| 1975 | 4.4 | 7.4 | 0 | 0 |
| 1976 | 5.0 | 8.1 | .7 | 9.5 |
| 1977 | 6.1 | 9.2 | 1.1 | 13.6 |
| 1978 | 7.2 | 10.0 | .8 | 8.7 |
| 1979 | 8.3 | 10.2 | .2 | 2.0 |
| 1980 | 9.0 | 9.8 | $(-.4)$ | $(-3.9)$ |
| 1981 | 9.8 | 9.8 | 0 | 0 |
| 1982 | 11.5 | 11.1 | 13.3 |  |

[^0]EXHIBIT 2.5
An Average Number and Total Distribution of American Periodicals: 1965-81*

|  | BUSINESS |  | CONSLMER |  | FAPM |  | TOTAL |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | No. of Publications | Average Total Distribution | No. of Publications | Average Total Distribution | $\begin{gathered} \text { No. of } \\ \text { Publications } \\ \hline \end{gathered}$ | Average Total Distribution | No. of Publications | Average Total Distribution |
| 1965 | 2,666 | 50,740 | 768 | 296,147 | 189 | 21,671 | 3,623 | 368,558 |
| 1966 | 2,464 | 50,840 | 797 | 309,465 | 196 | 18,385 | 3,457 | 378,690 |
| 1967 | 2,554 | 54,338 | 855 | 319,726 | 198 | 18,565 | 3,607 | 392,629 |
| 1968 | 2,627 | 58,257 | 865 | 326,192 | 204 | 18,798 | 3,696 | 403,247 |
| 1969 \| | 2,646 | 60,009 | 949 | 339,308 | 208 | 18,988 | 3,803 | 418,305 |
| 1970 \| | 2,681 | 61,632 | 1,009 | 312,622 | 215 | 19,265 | 3,905 | 393,519 |
| 1971 | 2,609 | 60,261 | 996 | 356,487 | 213 | 17,793 | 3,818 | 434,541 |
| 1972 | 2,623 | 60,131 | 1,043 | 354,144 | 214 | 18,211 | 3,880 | 432,486 |
| 1973 | 2,686 | 63,694 | 1,053 | 388,668 | 193 | 18,321 | 3,923 | 470,683 |
| 1974 | 2,675 | 61,812 | 1,071 | 384,309 | 207 | 19,024 | 3,593 | 465,145 |
| 1975 | 2,567 | 65,181 | 924 | 450,421 | 210 | 18,873 | 3,701 | 534,475 |
| 1976 | 2,570 | 65,697 | 898 | 411,063 | 211 | 16,929 | 3,679 | 493,689 |
| 1977 | 2,554 | 65,942 | 959 | 437,787 | 196 | 15,868 | 3,709 | 519,597 |
| 1978 | 2,607 | 70,720 | 1,089 | 471,864 | 188 | 13,643 | 3,884 | 556,227 |
| 1979 | 2,596 | 66,534 | 1,062 | 448,643 | 192 | 12,861 | 3,850 | 528,038 |
| 1980 | 2,808 | 76,471 | 1,124 | 433,200 | 201 | 13,209 | 4,133 | 522,880 |
| 1981 | 2,884 | 80,810 | 1,182 | 432,772 | 211 | 12,911 | 4,277 | 526,493 |
| I |  |  |  |  |  |  |  |  |

* Average Total Distribution reported in thousands Source: ABC Publisher's Statements


### 2.1.4 Cost Structures

Exhibit 2.6 shows that in the period 1967 to 1982 the cost of materials as a percentage of the value of shipments has remained approximately constant at 40 per cent, reaching a peak during the oil crisis of 1974 and then declining until 1979, returning to previous levels between 1979 and 1982 .

## EXHIBIT 2.6

Cost Structure of the Industry

|  | Cost of Material <br> as a Percentage <br> of Value of <br> Shipments | Cost of <br> Payroll | Cost of Material <br> and Payroll as a a <br> Percentage of <br> Value of <br> Shipment | Postal Costs <br> as a Percentage <br> of Magazine <br> Publications |
| :---: | :---: | :---: | :---: | :---: |
| Overall Costs |  |  |  |  |

Sources: U.S. Department of Commerce, 1982.
Coopers and Lybrand, 1985.

Cost of payroll remained relatively constant at 20 to 21 per cent between 1967 and 1975, and then began a decline to 15 per cent in 1979, rebounding slightly to. 17 per cent in 1982. This change may be attribut.ed to major technological innovations in the industry in the period after 1975 and a more capital-intensive production function, because of severe inflationary pressures in the labour sector. This trend has moderated in the early 1980 's because of the reduction in inflation.

Exhibit 2.6 also shows postal costs as a percentage of magaine publishers costs according to calculations for the 1985 Coopers and Lybrand study based on Magazine Publishers Association data. Postal costs as a percentage of total cost fluctuated between a low of 8.04 per cent in 1975 to 10.91 per cent in 1981.

### 2.1.5 Revenue Base

The two principal sources of income for the industry are derived from circulation (both subscription and single copy i.e.. newsstand sales) and advertising revenues. Traditionally the advertising component has represented a larger source of income, but this trend may have been reversed in 1983 when for the first time (see Exhibit 2.7), circulation revenues outpaced advertising income (in fact they were virtually identical).

## EXHIBIT 2.7 <br> Percentage Revenues of all Magazine Publishers by Source

Year
Advertising
Circulation

| 1972 | 57 | 43 |
| :--- | :--- | :--- |
| 1977 | 54 | 46 |
| 1982 | 58 | 42 |
| $1983^{*}$ | 49.9 | 50.1 |

Source: U.S. Department of Commerce, 1972/77/82data * 1983: Price Waterhouse study quoted in Chapter 55, Advertising of U.S. Industrial Outlook 1985 (page 55-3)
2.1.6 Circulation

According to Exhibit 2.8, derived from ABC data, total circulation shows two distinct trends in the period 1970-1981, increasing by 36.5 per cent from 1970 to 1975, then falling off considerably in 1976, rebounding to a high in 1978 and then levelling off slightly below the 1978 peak. While postal costs played some part in the mid-70's decline, a combined effect of rising paper, machinery, energy and labour costs played a major part in the reversal. By 1978 the industry had adjusted to the factor cost changes and also witnessed an influx of new, specialised magazines which resulted in an increase in total circulation.

The growth in total circulation has been supported by growth in subscription and newsstand sales although both distribution forms have experienced some declining periods and often have moved in different directions during the same year (Exhibit 2.9). In recent years there is evidence that newsstand sales are falling off somewhat. Whether this is cyclical or because of some other factor such as conumser price resistance is unclear at this time.

EXHIBIT 2.8
Total Circulation (Annual)

| Year | U.S. $(1,000$ 's) | Index |
| :--- | :--- | :--- |
| 1970 | 384,789 | 100.00 |
| 1971 | 422,265 | 109.74 |
| 1972 | 418,716 | 108.82 |
| 1973 | 450,813 | 117.16 |
| 1974 | 451,428 | 117.32 |
| 1975 | 525,520 | 136.57 |
| 1976 | 484,512 | 125.92 |
| 1977 | 501,226 | 130.26 |
| 1978 | 544,480 | 141.50 |
| 1979 | 518,213 | 134.67 |
| 1980 | 510,680 | 132.72 |
| 1981 | 514,072 | 133.60 |

Source: $A B C$, various years.

EXHIBIT 2.9
Growth in Subscription and Newsstand Circulation and Relative Market Shares 1970 to 1980

|  | Index ( $1970=100$ ) |  |  | Share of Market |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Subscription Circulation | Newsstand Circulation | Total Circulation | Subscription | Newsstand |
| 1970 | 100.0 | 100.0 | 100.0 | 70.1\% | 29.9\% |
| 1971 | 102.6 | 104.4 | 103.1 | 69.7 | 30.3 |
| 1972 | 104.8 | 112.0 | 107.0 | 68.7 | 31.3 |
| 1973 | 107.9 | 119.5 | 111.4 | 67.9 | 32.1 |
| 1974 | 110.8 | 125.6 | 115.3 | 67.4 | 32.6 |
| 1975 | 110.6 | 122.0 | 114.0 | 68.0 | 32.0 |
| 1976 | 112.2 | 125.4 | 116.1 | 67.7 | 32.3 |
| 1977 | 109.8 | 128.0 | 115.3 | 66.8 | 33.2 |
| 1978 | 117.7 | 131.2 | 117.5 | 66.6 | 33.4 |
| 1979 | 111.8 | 123.4 | 115.3 | 68.0 | 32.0 |
| 1980 | 110.7 | 119.8 | 113.5 | 68.4 | 31.6 |

[^1]
### 2.1.7 Advertising

Magazines have experienced spotty performances in their ability to attract and maintain advertising. During the l970's, magazine advertising experienced the smallest growth rate in real terms of all advertising media with expenditures increasing only 27.1 per cent during the decade, half the growth rate for advertising as a whole, and the market share of periodical advertising dropped from 8.1 per cent to 6.6 per cent. While high production costs and sluggish circulation growth played some part in this reversal, the growth in real expenditures in other competing media such as direct mail and newspaper inserts put a squeeze on revenues in the magazine industry. The trough for magazine advertising occurred during the 1974-75 recession, when the industry experienced an 11.4 per cent drop in real expenditures. By 1976, expenditures returned to pre-recession levels and then, aided by soaring television costs, magazines began to attract more advertising into existing publicatigns or into the hundreds of new specialised and more targeted magazines that entered the market from 1977 to 1980.

The 1980's have witnessed erratic performances to date, with real expenditures declining by 2.2 per cent in 1980, rebounding to a 14 per cent increase in 1984 over 1983 (in current dollars), and a prediction of 13 per cent growth in 1985 (current dollars) over 1984.

### 2.1.8 Profitabilit.y

In the period 1972 to 1984 despite severe economic shocks in product costs, product changes, increased
competition from other media, changes in consumer tastes and preferences, the publishing industry has been able to continue to make profits, varying from a low of 5.5 per cent in 1975 to over 11 per cent in 1984.

### 2.1.9 Distribution


#### Abstract

Periodical distribution in the United States has relied essentially on two methods, corresponding to the two distinct markets - single copy sales and subscription sales:


Single copy sales are effected through a massive network of retail outlets - convenience stores, supermarkets, newsstands, etc., - and are serviced by a hierarchy of wholesalers, regional and national distributors, and regional and national sales agencies. For the period 1970 to 1980, newsstand sales accounted for a 30-33 per cent share of the market.

The bulk of periodicals (66-70 per cent), are distributed by subscription, with delivery being effected almost totally by the United States Postal Service. Some competitive means such as private distribution companies, inserts into newpapers, "piggy-backing" with other publications, and direct distribution by the publisher have been attempted, but in total these represent a tiny fraction of those delivered through the mail. While experimental alternate methods have had some success in areas where there are large populations and subscription groups, they become much less attractive for maller circulation magazines, and in more sparsely populated areas of the country.

### 2.1.10 Industry Outlook

The U.S. periodical industry has been and will continue to be a highly competitive industry, both internally and with external media. The industry has shown an ability to react to economic and regulatory pressures and to find innovative means of attracting a market and maintaining profitability. Two significant factors that could impact on industry performance in the second half of the $1980^{\prime} s$ is the introduction of new higher postal rates and increasing competition from other media. Even so, the industry is expected to grow at an annual rate of 3.5 to 4.0 per cent annually in real terms until the end of the decade.
2.1.11 Postal Rates for Periodicals

Second class mail has stringent eligibility requirements including:
(i) regular publication at ledst four times a year;
(ii) content to include information of a public character or else devoted to literature, science, art, or a special industry:
(iii) have a list of paid or paying subscribers; and
(iv) contain no more than $75 \%$ advertising in half the annual issues.

Rates differ for second-class publications published, mailed, and delivered within the same county (in-county rates) and all other copies (out-of-county rates). All in-county rates and some out-of-county rates are subsidized by Congress. By statute, the full rates for reduced-rate categories must cover attributable costs incurred by the

Postal Service. On the other hand out-of-county regular rates must not only cover attributable costs incurred by the Postal Service but also make a contribution to the institutional costs of the Postal Service. The out-of-county rates were phased in over eight years 1971 to 1979, while the reduced rates were to be phased in from 1971 to 1986. Below is a table and graphic representation of the changes in second class postal rates from 1975 to 1984. A more detailed outline of American second class postal rates is included in Appendix $A$.

Because of the complexity of the U.S. postal classification system, charges were traced for weight charges for second-class publications in two selected out-of-county zones (zone 1 and zone 2 ), which would seem to correspond more to the Canadian situation where there are no in-county rates. U.S. postal classifications provide for nine regional rates, similar to those for courier companies who divide areas or regions into pricing zones based on distance and demand frequency.

# 2.2 The Impact of U.S. Postal Rate Changes on the U.S. <br> Periodical Industry - Forecast and Actual 

### 2.2.1 Forecast Impact

The natural tendency when facing any new or unexpected shift in production costs is for an industry to paint an extreme "doom and gloom" scenario. Magazine publishers in 1973 predicted increased costs for second class regular rate postage of 406 per cent from 1971 to 1977, compared to 27 per cent between 1962 and 1971.

Profits which were already slim (at least according to the industry) were expected to disappear.

## EXHIBIT 2.10

## Changes in U.S. Second Class Postal Rate, 1975-1984

| Year | Rate* (\& per kg) | Adjusted Rate** (\& per kg) | Amount <br> Change ( $¢$ ) | Percentage Change |
| :---: | :---: | :---: | :---: | :---: |
| 1975 | 18.0 | 30.5 | +1.3 | 4.5 |
| 1976 | 20.2 | 32.6 | +2.1 | 6.9 |
| 1977 | 23.5 | 35.6 | +3.0 | 9.2 |
| 1978 | 32.3 | 44.8 | +9.2 | 25.8 |
| 1979 | 38.5 | 47.1 | +2.3 | 5.1 |
| 1980 | 38.5 | 41.9 | -5.2 | 11.0 |
| 1981 | 37.6 | 37.6 | -4.3 | 10.3 |
| 1982 | 37.6 | 36.2 | -1.4 | 3.7 |
| 1983 | 37.6 | 34.9 | -1.3 | 3.6 |
| 1984 | 37.6 | 33.5 | -1.4 | 4.0 |

* Based on zone 1 and 2 regular rate outside county for the advertising portion. This portion reflects the changes in postal rates overall.
** 1981 dollars.

Price

EXHIBIT 2.11


Increased postage costs would have to be borne by both single copy and subscription sales, and circulation was expected to fall, making magazines less attractive to advertisers.

Advertising rates were expected to rise relative to other media, especially those, such as television, that were not affected by postal increases.

Finally, it was felt that such a severe shock would restrict the character and size of the magazine spectrum in number of issues, type of content, audience reached, and new entrants to the industry.

### 2.2.2 Actual Impact

Coopers and Lybrand showed that the mailing cost per piece for magazines increased by 272 per cent between 1973 and 1978 while the single copy price only increased by 84 per cent in the same period. The average subscription price increased by just under 100 per cent from l973-78.

As reported earlier, annual profits continued, peaking in 1977 at 9.6 per cent and settling at nine per cent in 1978.

Subscription and single copy sales experienced slight declines in 1975 and 1977, but total circulation grew by 25.5 per cent during the 1975-1984 period.

Advertising revenues did slip in 1974 and 1975 , but rebounded strongly in 1976, 1977, and 1978. Magazine revenues from advertising showed the lowest growth rate of all advertising media during the decade, although growing by 27.1 per cent during the 1970's.

Further, instead of reducing the number of issues, in fact the number of periodicals and issues grew during the period, and the types and quality of editorial content were extended and strengthened. Numerous firms, both large and small, entered the industry during the years of the most severe increases in postal rates.

While undoubtedly, some periodicals and publishers exited the market (e.g., Life and Look) during the period under review, we have been unable to uncover any evidence that indicates that these decisions were caused directly or indirectly by the large postal rate increases.

### 2.2.3 Forecast and Actuals A Reconciliation

An examination of the variance between what was expected to happen and what actually occurred in the U.S. periodical industry is instructive, since it gives insights into possible options open to both policy-makers and industry officials.
o The industry in assessing the extent of potential new rates assumed that there were no efficiencies that could be undertaken in the postal service, so in fact they compounded fixed postal costs into the cost of the declining subsidies in predictions. In fact postal efficiency did increase, reducing the effective rate.
o Industry analysts underestimated the inelasticity of the demand for periodical subscriptions (i.e., they were less sensitive to price than expected). They also did not recognize the small cross-
elasticity between the subscription sales and single copy sales markets. Since these two markets were essentially separate (less than 10 per cent overlap), publishers could use different strategies to bolster sales (pricing strategies, marketing strategies, distribution strategies, etc.). For example, newsstand price increases lagged behind subscription price increases in the late l970's as the number of retail outlets declined.

- Economists did not predict the massive price upheavals that were caused by the Oil Crisis of 1974 and the subsequent inflationary waves internally (wage settlements) and externally (material and service costs). While the postal rate increases were significant, they were dwarfed by some of the other changes in factor costs.
- No forecast was made of the potential for product differentiation or specialisation in the industry, which resulted in the attraction of new entrepreneurs into the industry, with different products to attract more specialised consumers, and consequently advertisers.
- Publishers found ways to reduce material costs, by reducing trim size by over five per cent as well as reducing paper weights.
- Publishers were adept at taking advantage of other postal rate classifications that were more attractive (e.g., the controlled circulation rate)
or reducing their total bill within the second-class preferred rate by drop shipping (i.e. transporting publications in bulk to distant points of delivery for local sorting) or moving their headquarters (at least on paper) to densely populated counties (e.g., Los Angeles County) to take advantage of in-county rates.
- Editors improved greatly the content and quality of editorial and graphics, to attract new readers and to differentiate the magazine market as a quality advertising vehicle.
- In some cases there were vertical or horizontal mergers to distribute risk across a number of cost centres and to reduce some service costs e.g., printing, marketing.
- Perhaps the greatest "blessing in disguise" was the fact that publishers knew in advance exactly how postal rates would move, so that they could consider this factor in their long-term planning.
- This expected cost situation led to an increase in purchases of capital equipment and the introduction of new production technology, since the return on investment from these acquisitions looked more favourable given the bleak picture for other factor costs.
- Though relatively small, experiments with alternate distribution systems served to dampen further postal rate increases, and acted as
somewhat of $a$ deterrent to monopoly-pricing strategies of the USPS.
- Finally, the industry had become too comfortable in assuming that it knew what the market wanted and expected from magazines. In fact, the pressure of increasing costs forced the industry to investigate new products, new marketing strategies, and new packaging faster than if it had remained on its straight-line profit path of the 1960's.


# 3.0 

3.1

Methodological Overview

The quantitative analysis of ample of U.S. based periodicals was motivated by the need to make valid comparisons with the Canadian industry. The first step in the process was to develop a typology that accurately represented the Canadian periodicals benefiting from the Postal Subsidy Program. This typology was then imposed on the U.S. industry in order to select periodicals that would facilitate later comparisons with Canada.

The typology developed by Woods Gordon in their 1982 study of the periodical publishing industry was used for two very important reasons. It was the result of a comprehensive and exhaustive review of the industry at that time and we were confident of its validity. Employing the same typology will also have some benefit in permiting comparisons of our analysis and conclusions to those of the Woods Gordon study. The typology has the following five categories. Some components of each category have been excluded from the actual sampling process because of their ineligibility for concessionary postal rates.

1. Consumer, including general interest and consumer publications.
2. Business, including trade, technical, professional and agricultural publications.
3. Scholarly/Educational.
4. Artistic/Literary.
5. Religious.

The selection of the American periodicals sample was based on the listings of the Audit Bureau of Circulations(ABC), an industry association publication widely used by advertisers. ABC membership and listings include the majority of U.S. publications enjoying second-class postal status. The circulation of member publications represents a very high proportion of the industry total.

Industry typologies in the U.S. almost invariably refer to consumer or general interest publications representing over one-half of all publications, business publications which represent about onethird, and farm publications. Non-profit publications, although large in number, are generally much smaller in circulation and tend to be ignored in industry analyses.

The sample of U.S. periodicals, including ones from the cultural and religious categories, is based entirely on ABC listings. With the exception of non-profit publications, these listings provide a comprehensive sampling frame for publications receiving postal subsidies. This sampling strategy is also very practical in terms of the availability of data, as it is exceedingly difficult to collect information for non-ABC members. Appendix B lists the names and some additional information for the sampled periodicals (e.g., 1984 subscription price, publisher). The sample characteristics are as follows:

## Exhibit 3.1

## Sample Characteristics

Number of Periodicals

## Type

| Consumer | 15 |
| :--- | :--- |
| Business | 14 |
| Artistic/Literary | 10 |
| Educational/Scholarly | 11 |
| Religious | 10 |

Total
60

This sample is slightly biased towards periodicals with larger circulation because of the additional information available for them. Nevertheless, within each category the sample reflects a varied cross -section of periodicals.

A plan for data collection and analysis was formulated that specified the research concepts and operational indicators that would be useful in the analysis of the relationship between postal rate increases and major characteristics of the periodical publishing industry. It dealt with four major issues including publication characteristics, readership characteristics, financial profile of the publication and publisher characteristics. Appendix $B$ presents the concepts, indicators and data sources for the research outline. The availability of Canadian data is also presented as comparison.

Our plan represented the best of possible worlds, however, and much of the information was either not available at a publication level or was simply not practical to obtain. As a result our final data collection plan focussed on the broad range of publication characteristics including the basic descriptive information, circulation statistics, subscription and single copy prices, advertising rates, and of course postal costs. Appendix D presents the specific data capture plan in the form of a record layout.

Time series data was collected for each of the ten years from 1975 to 1984. Although the U.S. Postal Service program of subsidy reduction began in 1971, most increases in real economic terms occurred between the years from 1975 to 1979 and little is lost in not analysing the period beyond ten years ago. Wherever possible all information identified in the record layout was collected over the full ten year period.

American periodical data was collected mainly from Audit Bureau of Circulations publications made available at their Canadian offices in Toronto. All ABC information is based on independent audits submitted by publishers. The publications include the Blue Book, a voluminous compendiumof detailed circulation data updated on a twice annual basis; and the Trend Report, a report on publications with the largest circulation that includes additional information on distribution and advertising rates.

All data were translated to machine readable format and transferred to Ekos computing facilities. Electronic data base management and statistical analyses were conducted using the Statistical Package for the Social Sciences (SPSS).

| 3.2 Findings from the Analysis of American |  |
| :--- | :--- |
|  | Periodicals |

This section presents the basic findings from the analysis of the U.S. periodical data base. For all the graphic presentations of time series data, we have also presented the timing and extent of postal rate increases. All financial data including postal rates, subscription and single copy prices, and advertising rates are presented controlling for inflation using the U.S. Consumer Price Index, (Appendix E). Thus, all changes are represented only in real and not money terms.

### 3.2.1 Publication Characteristics

The publications in our sample demonstrate a high degree of longevity in the marketplace. This is partly because we have excluded some smaller and non-profit publications. We have also selected only those publications for which data was available for the ten year period under study, thus eliminating many of the new entrants in the industry that have appeared since the late l970's. Exhibit 3.2 presents the average length of publication in years for our sample publications by type.

## EXHIBIT 3.2

Average Age of Sample Publications

## Average Age (in years)

| Consumer | 71.7 |
| :--- | ---: |
| Business | 67.9 |
| Scholarly/Educational | 46.8 |
| Artistic/Literary | 36.9 |
| Religious | 49.0 |
| Total $(n=60)$ | 58.5 |

Although these figures are indicative of the type of our sample, they also strongly suggest that there is a high degree of stability in much of the industry. Flexibility must also be a well developed characteristic, to have successfully responded to the many changes over this length of time. Although the two major categories of publications generally exhibit the greatest longevity, all categories in the sample have been publishing on average for decades.

Exhibit 3.3 presents the figures for frequency of publication for the sample types.

EXHIBIT 3.3
Frequency of Publication
Average Number of Most Common Issues per Year Frequency
Consumer $18.0 \quad 12$

Business
Scholarly/Educational
Artistic/Literary
20.0

12

Religious
25.5

12

Relas
45.3

12

Total ( $n=51$ )
22.0

12

### 3.2.2 Circulation

Circulation is a key indicator of the health of a publication. Virtually all sources of revenue for major periodicals depend on maintaining a strong circulation base. Fortunately our circulation data is excellent. Exhibit 3.4 plots changes in circulation over ten years for the overall sample as well as for the five periodical categories. Appendix F.l presents the actual numbers.

Circulation in

Thousands


In general, it can be seen that circulation has increased by over one-third in the last ten years from an average per issue of approximately 850,000 to slightly over 1, 165,000. Even during the period from 1975 to 1978 when publishers experienced substantial postal increases, overall circulation increased. The very steep hike in 1978 was followed by a circulation decrease of over nine per cent in a single year in 1979.

If we look at the separate periodical categories it can be seen that not all fared equally well. Consumer and business publications were successful in maintaining and increasing circulation throughout the entire period, with the exception of very small one year drops in circulation. Scholarly and educational publications show an overall rise, except for a drop in 1979, but then lose substantial ground in 1983 and 1984 . Religious publications show a steady decline from 1975 to 1980 losing almost thirty per cent of circulation but then make a dramatic comeback with an almost threefold increase from 1980 to 1982. Artistic and literary publications seem the most volatile of all categories, doubling in circulation from 1975 to 1978 but then fluctuating mostly downward to a low point in 1982 when circulation dropped to almost 1975 levels.

In summary, circulation statistics for our sample demonstrate that overall these publications have made substantial gains in the last ten years. This can largely be attributed to the success of the high circulation consumer magazines. It is significant however, that the greatest gains are made once the period of postal increases have ended. Furthermore the only period of overall circulation losses occurred when the postal rate increases
were largest. Finally, it appears that the two cultural" categories of publications are much more volatile and sensitive to market fluctuations than are the other categories.

As important as the overall circulation figures are the breakdowns for subscriptions and single copy or newsstand sales. A very high percentage of subscriptions are distributed by post under concessionary rates and changes in postal rate policy are most likely to have an impact on the subscriber market segment. Exhibit 3.5 shows the overall industry trends in subscription and single copy sales. Exhibits 3.6 and 3.7 (and Appendices F.2 and F.3) show the breakdowns by publication type of subscriptions and single copy sales, respectively.

Clearly subscriptions form the greatest part of total circulation. As with the industry as a whole. our sample shows that the subscription and newsstandmarkets are relatively independent. While newsstand sales have remained relatively stable since 1975 , subscription circulation has shown a large increase in the last ten years. Of significance however, is the fact that subscription sales showed decreases only during the year when postal rate increases were the greatest. The large growth in subscription sales also took place only when postal costs made substantial decreases in real terms. Although other factors were important contributors to subscriber circulation gains in the 1980's. the apparent relationship to postal costs cannot be ignored.

Perhaps of even greater significance than the slight downward trend shown by the entire sample in the late 1970's are the paths followed by the five separate types of

Sirculation
in
Thous ands

firculation in Thousands


EXHIBIT 3.7
Average Single Copy Circulation Per Issue For American Periodical Sample. Overall and by Type. 1975-1984

```
irculation
    in
Thousands
    4 5 0
    400
    350
    \
        250
        |
        Year
        H2,
        1 Adjusted
        PostalRate +4.5 +6.9 +9.2 +25.8 +5.1 -11.0 -10.3 -3.7 -3.6 -4.0
        Change
```

publications. Consumer and business publications both made gains in 1979, a year when subscription losses in the other categories combine for an overall loss (remember that in giving equal weight to all five categories in the sample we are not necesarily reflecting the industry as a whole). In general, only the large circulation consumer publications show a relatively steady gain throughout the ten year period. All other categories are subject to fluctuations in varying degrees. Of these, the artistic and literary publications appear to be the most susceptible to large changes. From a period of rapid growth of almost one-hundred and fifty per cent in subscription sales from 1975 to 1978, their position deteriorated to a net gain of only thirty-five per cent by 1982.

### 3.2.3 Subscription Price Changes

One of the major hypotheses of critics of the reduction in the U.S. postal subsidy was that subscription rates would be forced upwards to compensate for the increased postal costs. This hypothesis is restated in the recent Woods Gordon study with regard to the projected impacts of changes in the Postal Subsidy Program in Canada. Contrary to these projections however, the U.S. experience shows that subscription prices were subject to only very modest increases during the period of rising postal costs.

Overall, subscription prices made a very gradual climb for our sample periodicals over the ten year period. Exhibit 3.8 graphically charts the ten year trends (Appendix F. 4 details the prices). The real increase net of inflation amounts to only ten per cent in total. Furthermore arge

Subscription Cost
 Change

Average Subscripticn Price (1981 Dollars) For American Periodical Sample, Overall and by Type, 1975-1984

EXHIBTT
3.8
proportion of this overall increase is accounted for by the religious periodicals in our sample. These publications increased their real subscription prices by over eighty per cent between 1975 and 1982 before dropping off slightly in 1983 and 1984. If the religious publications are removed from the sample, the ten per cent net increase in subscription prices actually changes to a net decrease of over five per cent.

For the two major categories of publications, subscription price changes show slightly different patterns. Business publications are relatively stable and prices appear to respond more to demand generated by economic prosperity than by postal costs. Although there is a slight rise in 1979, prices are very stable before falling during the recession of the early 1980's. A substantial increase occurred in 1984, a year marked by both better business fortunes and increasing successes for business publications. The important consumer publication category experienced a substantial upward bulge in subscription prices after 1976, peaking between 1978 and 1980 before falling to new lows in 1983. This may indicate an initial subscription price response to higher costs, including postal costs, followed by a period of adaptation and recognition of stiffer market competition that is reflected in lower prices.

The pricing patterns for the "cultural" publications differ from the patterns of the more widely distributed business and consumer categories. Scholarly and educational publications exhibit a pricing response that is the exact opposite of what was the conventional wisdom. Subscription prices remained relatively stable before taking substantial drops in the two years following the steepest
postal rate hikes. In the last two years prices have risen again to rates almost identical with those of ten years ago.

Artistic and literary publications on the other hand show a steady decline in subscription prices over the last ten years. Prices fell approximately ten per cent from 1975 levels during the late 1970's when subscription circulation had made such starting increases. Unfortunately perhaps, these prices dropped more than another ten per cent as those strong subscription circulation gains were being dramatically eroded in the 1980's. It is very difficult to attribute direct causes or establish relationships for either of these phenomena. They do serve however to demonstrate the greater vulnerability of this category of periodical.

### 3.2.4 Newsstand Price Changes

It has already beten established that the subscription and newsstand sale markets are relatively independent of one another. Also it is clear that newsstand copy pricing is not directly sensitive to postal rate increases as this component of the market is not distributed by mail.

Nevertheless single copy sales are important for two reasons. Newsstand sales solicit new subscriptions as well as help maintain the overall circulation base. Newsstand pricing also reflects the effects of the market as a whole, and in conjunction with other factors, provides an indication of the viability of a publication.

The patterns of newsstand pricing are presented in exhibit 3.9 (and Appendix F.5). Overall single copy prices made some very small increases during the last ten years with the exception of 1979 when a price drop may have reflected the need to solicit more subscribers at higher subscription prices. Newsstand prices dropped again to new ten year lows during the l980's in reaction to greater competition and a more troubled economy with less disposable income for the consumer. Contrary to the general trend, consumer publication newsstand prices remained virtually the same in 1975 and l984, despite experiencing the period of higher prices in the later l970's and early 1980's. All other categories of publications exhibited prices in 1984 that were ten to twenty per cent lower than the 1975 levels.

### 3.2.5 Advertising Rates

As with subscription prices, critics of changes in the U.S. (and Canadian) postal subsidy program hypothesised that large postal rate increases would force up advertising rates to cover the increased costs. It was further argued that the industry would be damaged because increased costs for advertisers would weaken the competitive position of periodicals compared to other media and revenue would be lost. If advertising costs were to remain static, the argument continued, then subscription rates would have to rise to cover postal costs at the risk of eroding the circulation base necessary to attract advertising.

At least for the high circulation publications in our sample, the advertising rate increases prophesized did not materialize. As our information on advertising rates is

EXHIBIT 3.9
Average Single Copy Price (1981 Dollars) For American Periodical Sample, Overall and by Type, 1975-1984

## Overall

——Business

limited to those publications (with a circulation in excess of 500,000 ) that appear in the $A B C$ Trend Report, however, we are less able to generalize this finding. A further difficulty is that negotiated discounts and bulk rates are routine and the $A B C$ figures may not reflect changes in actual industry pricing practices for advertising. However for those that we can follow through time the results are clear. For both colour and black and white advertisements (full page, one time rates), the increased rates show a relatively steady decline of approximately ten per cent until 1982 and 1983 when large increases are made. Exhibit 3.10 shows the trend graphically and Appendix E. 6 presents the actual figures. It seems unlikely that any of these increases can be attributed to postal costs as real postal rates were in decline after 1980.

### 3.3 Conclusions

The most important conclusion that can be made from our analysis is that in general, the periodicals in our sample have fared very well over the last ten years. Overall and subscription circulation have increased and the expected increases in prices to the consumer and advertising rates have not taken place. In fact, these prices for most or all categories have actually fallen. The dominant industry category of consumer publications has been particularly successful in meeting its competitive challenges and has consistently made gains over the ten year period. For the industry as a whole, there is no evidence from this analysis to indicate that postal rate increases have had any detrimental long term effects.


There is some evidence however to suggest that reductions in the postal subsidy have had short term effects. Overall growth in subscription circulation was very modest over the few years when there were significant real increases in postal costs. For the year when these increases were the greatest, subscriptions for the periodical sample actually fell. Growth in subscription circulation only took off again and reached its peak when real postal costs were falling. For the dominant industry categories of business and consumer publications. subscription prices did rise by amall amount during the period of postal increases before falling off somewhat when postal rates began to drop.

There is also evidence to show that not all sectors of the industry are equally strong and able to adapt to change. Both the scholarly/educational and artisticl literary categories of periodicals are more volatile in their ability to maintain a subscriber base and subscription prices. The changes in the key indicators we have examined do not necessarily show any direct relationship to postal rate changes. The market is a complex one and many factors are important. Nevertheless, these periodicals appear to be the least stable of our sample.

Two features of the U.S. periodical sample should be remembered when interpreting any of the findings and conclusions presented from this analysis. First of all the periodical typology is a Canadian one and the sample proportions are not necessarily representative of the U.S. industry as a whole. Periodicals were sampled so that inferences could be made to Canada. Secondly, the sample necessarily underrepresents smaller publications which may have shown different patterns from those we have examined.

## 4.0 <br> IMPLICATIONS FOR THE CANADIAN PERIODICAL PUBLISHING INDUSTRY

### 4.1 Comparisons Between Canadian and American Periodical Publishing Industries

Making inferences to the Canadian periodical publishing industry from conclusions based on an American analysis only makes sense if there are similarities in the industries. Although it has not been possible for us to conduct detailed industry analyses, some important differences have become apparent. They are as follows:

1. Foreign competition. Competition from foreign publications is a major concern for the Canadian industry while it is not nearly as much of a factor for the American industry.
2. Market Size. There is an enormous difference in the size of the market for perigdicals in the two countries. Economies of scale from large production runs are less common for Canadian publications, creating higher costs of production for publishers of special interest and smaller publications.
3. Language. The Canadian industry and the total effective market is split into two according to the language of publication. There are no major crossover publications in the English and French markets.
4. Maturity. The U.S. industry is well established, economically viable, and has a long history of success. The Canadian industry is much less mature with only a handful of publications having extended national recognition.
5. Publishing. A few major publishers dominate the Canadian market while in the U.S. large scale publishing is more dispersed.
6. Distribution networks. In the U.S. regional distribution networks are feasible because of a series of geographically dispersed areas of population concentration. Distribution is more difficult and costly in Canada because of both geographic and population dispersion.
7. There is an established system of direct government support for cultural publications in Canada. In the United States, cultural publications must look to alternative sources of funding to a greater degree.

Despite these very imporiant differences, the performance of commercial periodicals has been relatively good. Profitability has been positive, failures are few and market entry is relatively easy (Woods Gordon, l982). More difficult to assess is the viability of the non-commercial or non-profit publications in both countries. Because the nature of the non-commercial sector is generally low-budget, low circulation and with difficult distribution however, we must assume that the problems posed by the unique features of the Canadian industry are compounded for these periodicals.

### 4.2 Conclusions and Implications for Canada

A large number of interrelated factors contribute to the viability of the periodical publishing industry. The postal subsidy is but one of many important factors, as
shown by the fact that postal costs as a percentage of gross expenditures for the U.S. industry increased only 1.5 per cent to 11 per cent during the period of postal subsidy withdrawal, and has since dropped to almost 1971 levels.

The American industry has shown itself to be flexible in meeting new challenges and has adapted to postal rate changes very well. There is little reason to assume that the mainstream of Canadian commerical publishing could not be as successful in meeting higher postal costs. American publishers quickly improved content and presentation, made adjustments to production costs and found new and specialized audiences and advertisers. Canadian publishers can be equally successful in these areas.

Three very important features of the American program were that it was well planned, increases were relatively gradual and publishers knew well in advance what they would be. The importance of this advance knowledge should not be underestimated in determining reasons for the ability of American publishers to adapt with production changes and new marketing strategies.

In the long term it does not appear that consumer and business publications are in need of large postal subsidies. If an argument is to be made for supporting new Canadian entries into the market, alternative means of government support may be more attractive and cost effective than continuing postal subsidies indefinitely. The universality of the postal subsidy program (classification issues aside) does not adequately differentiate between the truly needy and the obviously successful. The U.S. experience would indicate however that a well planned and phased reduction over a minimum five year period would be
advisable to avoid damaging the industry. Partial subsidy reductions could be phased in over a shorter period of time.

The situation is somewhat different and less predictable for non-commercial publications. At this point in time religious publications seem to be self-sustaining in the U.S. and there is not much evidence to suggest that they need government support. The scholarly/educational and artistic/literary publications however are clearly a less stable component of the market. This evidence appears without even examining the non-profit publications. In our opinion these publications should be treated differently.

In 1961 the Royal Commission on Publications "or O'Leary Report discusses the importance of Canada's "cultural" and "littlen magazines and their unique role as part of our national heritage. Their influence and value cannot be measured in economic terms alone, and it is probable that other program options may exist besides the postal subsidy program as an effective means of supporting these publications.

In summation, the American case demonstrates that entrepreneurial creativity and innovation in the U.S. magazine publishing industry was able to meet the challenge of planned and extensive series of increases in postal costs. Lessons for potential similarities in outcome for the Canadian situation must be tempered not only by a number of substantial differences in the organisation of the industry and the characteristics of the market place, but also by distinctly different sets of social, cultural, and political attributes and attitudes in the two countries.

APPENDIX A

# APPENDIX A <br> Chapter 4 <br> Second-Class Mail 

## 410 Rates and Fees

## 411 Rates

## 4i1.1 Roto Elements

The postage clarged for mailing second-class matter is based on the application of the following rate elements to the mailing:
a. Per-pound rate. The total weight of the mailing in pounds is multiplied by the per pound rate.
b. Per Piece Rate. The total number of pieces in the mailing is multiplied by the per piece rate. An individually addressed copy or package of unaddressed copies is considered a piece. A firm package, consisting of individually addressed copies or unaddressed copies for the same address is also considered one piece. A firm packnge must bear a blue label $F$ or the optional endorsement line FIRM followed by the 5 -digit ZIP Code. Note: The postage to be paid for a mailing is the sum of the charges delermined by applying the per pound rate, and the charges determined by applying the per piece rales.

### 411.2 Regular Rates

## . 21 General.

(Nore: The rates in 411.21 and 411.22 apply to all Cppies of publications which do not qualify for one of the preferfed rates contained in 411.3 .)
. 211 Por Pound Rates. Rates per pound or fraction of a pound:

| Nonadvertising partion | Cents $11.8$ |
| :---: | :---: |
| Adverrising portion: |  |
| Zones 1 and 2 | 15.8 |
| Zone 3 | 16.6 |
| Zone 4 | 18.2 |
| Zone 5 | 20.7 |
| Zoñe 6 | 23.3 |
| Zone 7 | 26.0 |
| Zone 8 .... | 28.9 |

212
veflect Por Pigecz Rates. The three per piece rates rccot the level of presort. The sortations that must be 40 amplisted to, qualify for these rates are prescribed
in

$$
0
$$

Cents
Luel a-- Aasic. Pieses not qualifying for Level
B.-5-digii or Level C-Carrier (3)-digits which
are nol unique 3 -digit citics, SCF, slates.
mixed siatcs) ...........................
drel 1 - 3 -digi. Packajes of six or more nddressed Picecs forn 5 -digit, a unique 3 -digit city, or a m:Hili-ZIP Coded city destination listed in
Exhibin 122.63
Erel C-Cerrier. Packages of six or more addr:c• $\because$ pieces for carrier routc or finer
${ }^{2}+1 /$ derthations
.213 Intra SCF Rate. Pieces in properly prepared carrier route. 5 -digit, optional city, 3 -digit, or sectional center facility (SCF) packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable perpiece rate minus 1.0 cent per addressed piece.
Note: Copies of second-class publications that do not qualify for Level B-5-digit or Level C-Cartier must meet second-class presort requirements to be eligible for secondclass rates ( $\operatorname{scc} 460$ ).
.22 Mailings by Other Than Publisher or Registered News Agent

The applicable single piece third-class or fourth-class rate is charged on copies mailed by the general public (persons other than publishers or registered news agents), on copics returned to the publisher, and on copies mailed by publishers or registered news agents that are not commingled and presorted as part of the regular mailing of sutseriber or requester copies.
. 23 Nonadvertising Adjustment
The non adverising adjustment applies to regular rate and science of agriculture publications. Limited circulation publications (including limited circulation science of agriculture publications) are not eligible. It is determined by multiplying the nonadvertising percent (Content) by 03 cent and multiplying that result by the number of addressed pieces nailed at the outside county fer-piece rates in 411.212. The norradvertising adjusunent amount is subtracted before the total postage charge is determined.

### 411.3 Preferred Rates

## . 31 General

There are six prefarred rates. They are:
a. In-county
b. Special Nenprofit
c. Classroom
d. Science-of-Agriculture
c. Limited Circulation
f. Limited Circulation Science-of-Agriculture

## . 32 In-County Rates

. 321 General Appllcallon. In-county rates apply to copies of second-class publications (except commingled nonsubscriber copies in excess of the $10 \%$ allowance, and requester copies) that are to be delivered to addresses within the county of publication if such copies are:
a. Mailed at the office of original entry; or
b. Mailed at an office of additional entry within the county of publication.
Note: If the postmaster of an office of entry directs a publisher to deposit copies of the publication at a postal facility serving that office, these copies will be considered as mailed at the office of entry. Copies are subject to in-county rates if they are addressed to destinations within the county and are entered at a post office which serves those addresses, but is located outside the county.

## . 322 Rates. In-Counly rates are:

$$
\begin{aligned}
& \text { Per Pound } \\
& 5.8 \mathrm{c} \\
& \text { Per Piece: } \\
& \text { Level J - Not Presorted to Carrier } \\
& \text { Roure } \\
& 3.36 \\
& \text { Level K . Presoried io Carrier Routc. } \\
& \text { Packages of six or more addressed } \\
& \text { pieces for carrier route or finer sort } \\
& \text { destinations ........................ 1.5e }
\end{aligned}
$$

. 323 Independent Crfies. Each second-class - publication (except cominingled nonsubscriber copies in excess of the $10 \%$ allowance, and requester) having original entry at a: incorporated city which is situated entirely within a county or which is situated contiguous to one or more counties in the same State, but which is politically independent of such county or counties, will be considered to be within a part of the county with which it is principally contiguous, and copics mailed into that county are chargeable with postage at the in-county rates. Where more than one county is involved. ti, publisher will select the principal county and notify the postmaster.

## . 33 Special Nonprofit Rate

.331 Per Pound Rates. Rates per pound or fraction of a pound:

|  | s |
| :---: | :---: |
| Nomadvertising portion Adversising purtion: | 7.5 |
| 7ones 1 and 2. | 10.1 |
| Touc 3. | 11.3 |
| 7 lane 4 | 13.0 |
| 7 lanc 5 | 15.6 |
| 7 nc 6. | 18.3 |
| 7 ne 7 | 21.3 |
| 7 nc 8. | 23.9 |

Note: The advertising zone rates are applicable to issucs in which the advertising portion exceeds 10 percent. Issues containing 10 percent or less advertising will be computed at the nonadvertising rate.
. 332 Por Plece Rates. The three per piece rates reflect the level of presort. The sortations that must be accomplished to qualify for these rates are prescribed in 468.

Cents
Lerel C-Basir-Pieces not qualifving for Level H-5-Digit or Level I-Carrier (3-Digits which are not unique 3 -digit eities, SCF, states, mixed states)
Level H-S-Digit-Packages of six or more addressed pieces for 5 -digit, a unique 3 -digit eity, or multi-ZIP Coded city destinations listed in Exhibit 122.63
Lred 1-Garrier-Packages of six or more addressed pieces for carrier route or finer sort destinations
. 333 Intra SCF Rate. Picces in properly prepared carrier route, 5-digit, optional city, 3-digit, or SCF packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable per-piece rate minus 1.0 cent per addressed piece.
Nore: Copies of second-class publications that do not qualify for Level H-5-digit or Level I-Carrier must meet second-cla ss presort requirements to be eligible for secondclass rates (see 460).

## . 34 Classroom

. 341 Per Pound Rates. Rates per pound or fraction of a pound:

|  | Cents |
| :---: | :---: |
| Nonadvertising portion | 5.3 |
| Advertising portion: |  |

7ones I and 2
7.0

4 Zone t--................................................. 9.7
Zone 3................................................. 12.3



.342 Per Plece Rate. The per piece rate is. 3.9 cents.
. 343 Intra SCF Rate. Pieces in properly prepared carrier routc, 5 -digit. optional city, 3 -digit, or SCF packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable per-piece rate minus 1.0 cent per addressed piece.

## . 35 Sclence of Agriculture

. 351 General. These rates apply to copies of publications which will be delivered to addressees outside the county where published and entered, and on copies mailed at an office of additional entry located outside the county where published and entered, when the total number of copies furnished during any 12 -month period to subscribers residing in rural areas consists of at least $70 \%$ of the total number of copies distributed by any means for any purpose.
. 352 Per Pound. Rates per pound or fraction of a pound:

|  | Cenfs |
| :---: | :---: |
| Nonadvertsing portion | 11.8 |
| Advertising porrion: |  |
| Zones I and 2. | 10.1 |
| Zone 3. | 16.6 |
| Zone 4 | 18.2 |
| Zone 5. | 20.7 |
| Zone 6 | 23.3 |
| Zone 7 | 26.0 |
| 7one 8. | 28.9 |

253 Per Ploce Rales. The three per piece rates reflect the level of presort for mailings of 5,000 or more copies per issuc. The sortations that must be accomplished to qualify for these rates are prescribed in 460.

Level A-Basic. Pieces not qualifying for Level B-S-Digit or Level C-Carrier (3-Digits which are not unique 3-Digit cities. SCF, states, mixed states)
Luvel B-S-Digin. Packages of six or more addressed pieces for S-digit, a unique 3-Digit city, or multi-ZIP Coded city destinations listed in Exhibit 122.63
Level C-Carrier. Packages of six or more addressed pieces for carrier route or finer sort destinations

354 Intra SCF Rate. Pieces in properly prepared Carrier route, 5 -digit. optional city, 3 -digit, or SCF packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable per-piece rate minus 1.0 eent per addressed piece.
Note: Copies of second-class publications that do not qualify for Levef B-5-digit or Level C-Carrier must meet second-class presort requirements to be eligible for secondclass rates (jee 460).

## . 36 Limited Circulation

.351 General. These rates apply to copies of publications (except commin zled nonrequester/nonsubseriber in excess of the $10 \%$ allowance (seee 411:38). requester, special nonprofit, classroom, ind limiled tirculation science of agriculture) which will be delivered to addresses outside the counly where published and entered. and on copies mailed at an office of additional entry located ouiside the county where published and entered, when the toal number of out-of-counly copies is less than 5,000 .
. 362 Por Pound Ratos. Rates per pound or fraction of a pound:

|  | $\begin{gathered} \text { Cenf } \\ \end{gathered}$ |
| :---: | :---: |
| Adverlising portion: |  |
| Zones 1 and 2. | 15.8 |
| Zone 3 | 16.6 |
| Zone 4 | 18.2 |
| Zone 5 | 20.7 |
| Zone 6 | 23.3 |
| Zone 7 | 26.0 |
| Zonc 8 | 28.9 |

. 363 Por Ploce Rales. The three per piece rates reflect the ievel of preson for mailings of leess than 5,000 out-of-county copies per issue:
Level D-Basic. Pieces not qualifying for CentsLevel E-S-Digit or Level F-Carrier (3-Digits which are not unique 3-Digit cities.SCF, states, mixed states)6.3Leved E-S-Digit. :Packiages of six or moreaddressed pieces for S-digit, a unique 3-Digitcity, or multi-ZIP Coded city destinationslisted in Exhibit 122.633.7
Level F-Carrier. Packages of six or more addressed pieces for carricr route or finer sort destinations ..... 1.8
. 364 Intra SCF Rate. Pieces in properly prepared earrier route, S-digit, optional city, 3 -digit, or SCF packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable per-piece mate minus 1.0 cent per addressed piece.

Note: Copies of second-class publications that do not qualify for Level E-S-digit or Level F-Carrier must meet second-class presort requirements to be eligible for secondclass rates (see 460).

## . 37 Limited Circulation Science of Agriculture

. 371 Ceneral. These rates apply to copies of science of agriculture publications which will be delivered $t 0$ addressees outside the county where published and entered. and on copies mailed al an office of additional entry located outside the county where published and entered, when the total number of out-of-county copies is less than 5,000 , and when the total number of copies furnished during any 12 -noath period to subscribers residing in sural areas consists of at least $70 \%$ of the total number of copies distributed by any means for any purpose.
.372 Per Pound Rates. Rates per pound or fraction of a pound:

|  | Cents |
| :---: | :---: |
| Nonadvertising portion | 11.8 |
| Adversising porrion: | 10.1 |
| Zones 1 and 2 | 16.6 |
| Zone 3. | 18.6 |
| Zone 4. | 16.2 20.7 |
| zorne 6 | 23.3 |
| zone 7 | 26.0 |
| Zone 8 ..... | 28.9 |

. 373 Por Plece Rales. The three per piece rates reflect the level of presort for mailings of less than 5,000 out-of-county copies per iscues

Level D-Basic. Pieces not qualifying for Level E $\perp 5$-Digit or Level F-Carrier (3-Digits which are not unique 3 -Digit cities. SCF, states, mixed states)
Level E-S-Digir. Packages of six or more addressed pieces for 5-Digit, a unique 3-digit city or multi-ZIP Coded city destinations listed in Exhibit 122.63
Level F-Carrier. Packages of six or more addressed pieces for carrier route or finer sort destinations
. 374 Intra SCF Rato. Pieces in properly prepared carrier route, 5 -digit, optional city, 3-digit, or SCF packages of six or more addressed pieces for delivery within the SCF of mailing may qualify for the intra SCF rate. This rate equals the applicable per-piece rate minus 1.0 cent per adoressed piece.
Note: Copies of second-class publications that do not qualify for Level E-5-digit or Level F-Carrier must meet second-class presort requirements to be eligible for second-class rates (see 460).
. 38 Nonsubsalber Copies Sont at a Preforred Rate. Nonsubscriber copies mailed at any time during the calendar year up to 10 percent of the total weight of copies mailed to subscribers during the calendar year are preferred mail and subject to the preferred mail rates, provided that the nonsubscriber copies would have been preferred mail if mailed to subscribers.
. 39 Commingled Nonsubscriber Coples. Commingled nonsubscriber copies in excess of 10 percent of the total weight of copies mailed to subscribers are subject to the regular rates in 411.21 .

## 412 Fees

412.1 Application Faes for Second-Class Privilegor The fees to accompany applications for second-class original entry, reentry, additional entry, or for registration as a news agent, are:

| Kind of Application | Amount |
| :---: | :---: |
| a. Criginal tia | \$20.00 |
| b. Newx Agenu Rexistry ............................. | \$35.00 |
| c. Reentry (because of change in itile. fre: quency of issuc. oflice of publication. or oxher reasun) $\qquad$ | \$35.00 |
| d. Additional Einine (Only one is collectible for an application for additional eniry even if the additional entry for which application is made modifies another presiously approved additional eniry.). $\qquad$ | \$00.00 |
| .Votr: If an application is not approved, no part of the fee is returned to the applicant. |  |

412.2 Fee for Address Correction Service. The fee for address correction service is 30 e per notice issued.

## 420 Classification

## 421 Requirements for All Second-Class Publications

421.1 Periodical Publications. Only newspapers and other periodical publications which meet the mailability conditions stated in 123 and the requirements of this chapter may be mailed at the secondclass rates. For second-class mail purposes, a periodical publication is defined as follows:
a. A periodical is a publication which is published if a slated frequency with the intent to continue publication indefinitely. The primary distribution of exch issue must be made before that of each succeeding itsue. The primary purpose of a periodical must be the transmission of information. A periodical may consist of original or reprinted atlicles on a single topic or variety of topics, listings, photographs, illustrations, yraphs, a combination of advertising and nonadvertising matter, comic strips, legal notices, editorial material, cartoons, or other subject matter. A periodical must also exhibit continuity from issue to issue. Conlinuity may be evidenced by serialization of articles or by successive issues carrying the same style, format, theme, or subject matler.
b. The following particular types of publications ve also considered to be periodical publications:
(l) Ainy catalog or other course listing, including mail announcements of legal texts which are part of post-bar admission education, issued by any institution of higher education or by a nonprofit organization magaged in continuing legal education.
(2) Any looseleaf page or report (including any index, instruction for filing, table or sectional identifert which is an integral part of such report) which is designed is part of a looseleaf reporting service concerning developments in the law or public policy.
(3) Any transportation guide containing transPortation schedules, fares, and related information.
c. Material which has been, or is intended to be, 4intributed primarily as a book caninot be converted mo an issue of a periodical by merely placing a priodical's name upon it, placing it within a periodial's cover, or using similar superficial methods. This marriction does not prohibit excerpts or condensations of books from being proper subject matter for period-
ins.

## Q12 Regular Issuance

${ }^{21}$ Each second-class puiblication must te issued
Whe regular frequency of at least four times per year.
the mublisher must determine the number of issucs to

- published each year and wiopt a statement of fre-
mincy that will show at what regular intervals the
issues will appear. Examples of permissible statements of frequency are:

Daily<br>Semiweekly (ıwice a week)<br>Weekly<br>Biweekly (every two weeks)<br>Semimonthly (iwice a month)<br>Monthly<br>Quarterly<br>Four times a year in Jan., Feb., Oct. uud Nov.<br>Weckly during sehool year<br>Monthly except during July and August

22 All issues must be published regularly as called for by the statement of frequency. If the publisher wishes to change the number of issues scheduled or the statement of frequency, he must adopi a new statement of frequency by filing an application for second-class reentry (see 444). If a publication fails to maintain regular issuance according to its statad frequency, the postmaster will remind the publisher of the above requirements and request compliance. If irregular issuance continues, the Office of Mail Classification, USPS Headquarters, will revoke the publication's second-class miul privileges (see 441.5).
421.3 Issuance From a Known Ottice of Publication. The publisher of a second-class publication must maintain a known office of publication at the Incation where the original entry for second-class mail privileges is authorized. The known office of publication must be a public office where the business of the publication is transacted during normal business hours. The circulation records of the publication must be maintained and available for examination by postal officials at the known office of publication.
421.4 Printed Sheets. Second-class publications must be formed of printed sheets. They may not be reproduced by stencil, mimeograph, or hectograph processes. Reproduction by any other process is permissible. Any style of type may be used.

## 422 Types of Authorizations

422.1 Oudification Catagories. All . second-class publications must be authorized under one of five qualification categories. These are: General Publications, Publications of Institutions and Societies, Publications of State Departments of Agriculture, Foreign

Publications and Requester Publications. The specific requirements for each category are set forth in 422.2-. 422.6. These specific requirements are in addition to the general requirements set forth in 421, which all secondclass publications must meet. Note: Any publication which meets the requirements of 421 and 422.2 may be entered as a gencral publication irrespective of the nature of the publisher.

### 422.2 General Publications

21 Contents. Gencral publications must be origimated and published for the purpose of disseminating information of a public character or they must be devited to literature, the sciences, art, or some special industry.

## 22 Circulation Requirements

221 List of Subscribers. General publications nust have a legitimate list of subscribers who have paid or promised to pay, at a rate above a nominal rate, for copies to be received during a stated time. Persons whose subscriptions are obtained at a nominal rate (see 422.222) shail not be included as a part of the legitimate list of subscribers. Copies sent in fullfillment of subscriptions obtrined at a nominal rate must be charged with postage at regular rates (sce 411.21).

222 Nominal Aate Subscriptions. Nominal rate subscriptions include those which are sold:
a. At a subscription price that is so low that it cannot be considered a material consideration.
b. At a reduction to the subscriber, under a premium offer or any other arrangement, of more than 50 percent of the amount charged as the basic annual rate for a subscription which entitles the subscriber to receive one copy of cau.h issue published durirg the subscription period. The value of a premium is considered to be its actual cost to the publisher, the recognized retail value, or the represented value, whichever is highest.

223 Free or Nominal Rate Circulation. Publicacions primarily designed for free circulation and/or circulation at nominal rates may not qualify for the general publications category. Publications are considered primarily designed for free circulation and/or circulation at nominal rates when onc-half or more of all copies circulated are provided free of charge 10 the ultinate recipients, or are paid for at nominal rates by the ultimate recipients, or when other evidence indicates that the intent of the publisher is to circulate the publication free and/or at nominal rates. The distribution of all copies of a publication is considered, whether circulated in the nails or utherwisc.

## 23 Advertising Restrictions

231 Publlcations Designed for Advertising Purposes. General publications primarily designed for advertising purposes may not qualify for secondclass privileges. These include, but are not limited to:
a. Publications which contain more than 75 percent advertising in more than half of the issues published during any twelve month period:
b. Publications owned or controlled by individuals or business concerns and conducted as an auxiliary to and essentially for the advancement of any other business or calling of those who own or control them.
c. Publications that consist principally of advertising and articles about advertisers in the publication.
d. Publications that hive only a token list of subscribers and that print advertisements free for advertisers who pay for copies to be sent to a list of persons furnished by the advertisers.
e. Publications published under a license from individuals or organizations and that feature other businesses of the licensor.

## . 232 Definition of Advertising.

a. General. The term advertising includes all material for the publication of which a viduable consideration is paid, accepted, or promised; that calls attention to something for the purpose of getting people to buy it, sell it, seek it, or support it.
b. Specific. If an advertising rate is charged for the publication of reading matter or other material, such material shall be deemed to te advertising. Articles, items, and notices in the form of reading matter inserted in accordance with a custom or understanding that textual matter is to be inserted for the advertiser or his products in the publication in which a display advertisement appears, are deemed to be advertising. If a newspaper or periodical advertises its own services or issues, or any other business of the publisher, whether in the form of display advertising or editorial or reading matter, this is deemed to be advertising. Public service advertisements for which no considerition has been paid are not considered advertising for " postal purposes.

### 422.3 Publicatlons of Institutions and Societies

.31 Types of Publications Eligible. A publication which meets the basic requirements of 421 and conttains only the publisher's own advertising, and not, under any conditions, the advertising of other persons or erganizations is cligible for second-class mail privileges if it is:
a. Published by a regularly incorporated institution of learning. For purposes of this section, insritutions of learning are those organizations of a permanent nature where instruetion is given in the higher brancties of education only. which own their origin to private or public munificence, and which are establishied solely for the public good, and not for private gain.
b. Published by a regularly established state institution of learning supported in whole or in pirt by mublic taxation.
c. A bulletin issued by a state beard of health or a state industrial development agency.
d. A bulletion issued by a state conservation or fish and gume agency or department.
c. A bulletin issued by a state bxard or department of public charities or corrections.
f. Published by any public or nonprofit private elementary or secondary institution of learning or its mdministrative or governing bedy.
8. A program announcement or guide published by an educational radio or television agency of a State or political subdivision thereof or by a nunprofit educational radio or television station.
h. Published by or under the auspices of a benevolent or fralernal socicty or order organized under the thdge sysiem and having a bona fide membership of mot less than 1,000 persons.
i. Published by or under the auspices of a trade union.
f. Published by a strictly professional, literary, historical, or scientifle society. Note: for the purposes of this section:
(1) A strictly professional society consists sole. by of a groun of persons who have olatained professional status by advanced educational training, experience, specialized intercst. or peer examination. Where applicable, public certification in a particular field of the arts or sciences such as engincering, latw, or medicine will be considered at factor in deterntining cligibitiny. The members must be engaged in their given profession in accordance with its binding standards of performance and conduct on which the public is entithed io rely.
(2) A strictly literary society is an organization Whose exclusive purpose is to encourage and cultivate an apprecianion of general literature, a literary subject. or an author who hats achieved recognition through literary aceomplishluent. The membership must be comimised of individuials who discuss or an:dyze the style. Composition, or other characteristics of the literature or authors in which they have at conmon interest.
(3) A strictly historical socicty is an organization whose exclusive purpose is to discover, collect. and systematically record the history of civilization or a particular segment thereof. Such a society should provide for the preservation of such mitterial and for its accessitility to the members of the society and the bencral puhlic. Furthermore, a strictly historicil socieiy should extend cducational services by prolucing Mahlished matter, holding regular meetings, presenting acldresses and lectures, or using maiss media.
(4) A strictly scientific society is an organization Whose exclusive purpose is to bring individuals toeether for the jurpose of cooperating in scientific invextigations and pursuits in the applied, pure, or nattural sciences, and to disseminute technical information dealis! with these subjects.
$k$. Itublished by a church or church orpanization. For murposes of this section, the term "church" applies only to congregations of worshippers who actuailty conduct religinhes services. The term" "church orga-
nization" enibraces organizations of individual churches, organizations which are subsidiary to individuall churches, and national or regional organizations of churches.

32 Provisions for General Advertising. A publication qualifying under 422.31h through $k$ may contain advertising of other persons or organizations umder the following conditions:
a. The publication must not the designed or pubfished primarily for advertising purposes (sec 422.231).
b. The publication must be originated and published to furiher the objects and purgoses of the qualifying organization.
c. The circulation of the publication must be limited to copies mailed to members who pay, cither as a part of their dues or assessments or otherwise, not less than 50 percent of the lowest subscription price paid by other subscribers and to exchanges, except that 10 percent of total circulation may be sampic copies (see 426.1). When members pay for their sutscriptions as a part of their dues or assessments, indi. vidual subscription forms or receipts are not required.

### 422.4 Publications issued By State Departments

 of Agrlculture. A publication issued by a stalle depirtment of agriculture which meets the basic requirements of 421 is cligible for second-class mail privileges if it:a. Is published only to further the objects of the department; and
b. Does not contain any advertising matter.
422.5 Foreign Publications. Foreign newspapers and other periodicals which have the same general character as domestic publications entered as second-class mail may be granted second-class mail privileges. The publishers or their agents may apply for transinission of these publications through the mail at the same second-class rates as those published in the United States. Review of this application will be based only on United States circulation. This section does not authorize the transmission through the mail of a publication which violates a copyright granted by the United States. The known office of publication can be the office of the publisher's agent (see 421.3).

### 422.6 Requester Publications

A publication. whether circulated free or to subscribers, is eligible for authorization to mail at the rates in 411.21 if it mects the requirements in 421 und all of the following requirements:
a. Each issue must contain at least 24 pages;
b. No issue may contain more than 75 percent advertising (see 422.232);
$c$. The publication must not be owned or controlled by one or more individuals or business concerns and conducted as an auxiliary to and essentially for the edvancement of the main business or calling of those who own or control it; and
d. Effective October 1. 1982, the publication must have a legitimate list of persons who request the publication, and 50 percent or nore of the copies of the publication must be distributed to persons making
such requests. Subscription copies paid for or promised to be paid for including those at or below a nominal rate may be included in the determination of whether the 50 percent request requirement is met. Persons will not be decmed to have requested the publication if their request is induced by a premium offer or by receipt of material consideration. Requests which are more than three years old will not be considered to meet this requirement.

## 423 Special Second-Class Privileges

### 423.1 Special Nonprofit Rate

. 11 Authorization. Only publications (other than requester publications) which meet the requirements of 423.12 or 423.14 and which have received specific authorization from the Postal Service may be mailed at the special nonprofit rate in 411.33. (See application procedure in 443.) A publication must be both granted second-class entry and issued a special rate authorization before it may be mailed at the special nonprofit rate.

## . 12 Publications of Quallifed Nonprofit Organizations

. 121 Types of Organizations. A publication issued by and in the interest of one of the following types of organizations (see definitions in 423.13) qualifics for the special nonprofit rate if the organization is not organized for profit and none of its net income inures to the benefit of any mivate stockholder or individual:

$$
\begin{aligned}
& \text { a. Religious } \\
& \text { b. Educational } \\
& \text { c. Scienific } \\
& \text { d. Yhilanthropic } \\
& \text { c. Agriculturat } \\
& \text { f. } \\
& \text { g. Vetcrans: } \\
& \text { h. Fraternal }
\end{aligned}
$$

. 122 Primary Purpose. The standard of primary purpose used in the definitions of qualified nonprofit organizations in 423.13 requires that the organization be both organized and operated for the primary purpose. Organizations which incifentally engage in qualilying activities do not meet the primary purpose test.

## . 13 Definitions of Eligible Nonprofit Organizations

. 131 Religious. A nonprofit organization whose prinary purpose is one of the following:
a. To conduct religious worship (for example. churches, synagogues, tempies, or mosques).
b. 'To support the religious activities of non-profit organizations whose primary purpose is 10 conduct religious worship.
c. To further live teaching of particular religious faiths or tenets, including religinus instruction and the dissemination of religious information.
. 132 Educational. A nonprofit orpanization whose mimiry murpose is the instruction or trisining of indi-
viduals for the purpose of improving or developing their capabilities or the instruction of the public on subjects beneficial to the community. Note:
2. An organization may be educational even though it advocates a particular position or viewpoint, as long as it presents a sufficiently full and fair exposition of the pertinent facts to permit an individual or the public to form an independent opinion or conclusion. Conversely, an organization is not considered oducationall if its principal function is the mere presentation of unsupported opinion.
b. Examples of educational organizations are:
(I) Any organization (such as a prisnary or secandary school, a college, or professional or trade school) which hats a regularily scheduled curriculum, a regular faculty, and a regularly cnrolled body of students in attendance at a place where educational activities are regularly carried on.
(2) Any organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or similar programs. Such programs may be on radio or television.
(3) Any organization which presents a course of instruction by means of correspondence or through the use of ielevision or radio.
(4) Muscums, zoos. planetariums, symphony orchestras, and similar organizations.
.133 Scientific. A noriprofit organizition whose primary purpose is one of the following:
a. To conduct research in the applied, purc, or natural sciences.
b. To disseminate technical information dealing with the applied, pure, or natural sciences.

134 Philanthropic (Charitable). A nonprofit organization organized and operated for purposes bencficial to the public. Note.
a. Examples of philanthropic organizations include those which itre organized to:
(1) Relieve the poor and distressed or the underprivileged.
(2) Advance religion.
(3) Advance education or science.
(4) Erect or naintain public buildings, monuments, or works.
(5) lessen the burdens of government.
(6) Pronnote sucial welfare for any of the above purposies or to kessen oneighborhood tensions: to elininate prejudice and discrimination; to defend hunian and civil rights secured by law; or to combatt community deterioration and juvenile delinquency.
6. The fact that ath organization which is organized and operated to relieve indigent persons may receive voluntary contributions from those persons does not necessarily unake it incligible for special nonprofit rates as a philanthropic owganization. The fact that an organization. in carrying out its primary purpose, movocates social or civic changes or presents ideas on controversial issues to influence mublic opinion and sentinent towards an acceptance of its views, deses and make it ineligible for special momprofit rates as a philanthropic mganization.
. 135 Agricultural. 1 nonprofit organization whose primary purpose is the betterment of the conditions of those engaged in agricultural pursuits, improvement of the grade of their products, and the development of a higher degree of efficiency in agriculture. Nove.
a. The organization may further and advance agricultural interests through any of the following activities:
(I) Educational activities.
(2) Holding agricultural fairs.
(3) Collecting and disseminating information concerning cultivation of the soil and its fruits or the harvesting of marine resources.
(4) Rearing. feeding, and managing livestock, poultry, bees, etc.
(5) Other activities related to agricultural interest.
b. The term agricultural also includes any nonprofit organization whose primary purpose is collecting and disseminating information or materials related to agricultural pursuits.
. 136 Labor. A nonprofit organization whose primary purpose is the betterment of the conditions of workers. Note.
a. Lahor organizations include, but ase not limited 10, organizations in which cmployees or workers paricipate whose primary purpose is to deal with employers concerning grievances, labor disputes, wages, hours of employment, working conditions, etc.
b. Labor unions and employees' associations are examples of organizations formed for these purposes.
. 137 Veterans'. A nonprofit organization of velerans of the armed services of the United States, or an muxiliary unit or society of, or a trust or foundation for, any such post or organization.
. 138 Fraternal. A nonprofit organization which meets all of the following criteria:
a. Has as its primary purpose the fostering of fellowship and mutual benefits among its members:
b. is organized under a lodge or chapter system with a representative form of government:
c. Follows a ritualistic formai; and
d. Is comprised of members who are elected to membership by vote of the members.
Note. Fraternal organizations include such organizations as the Masons, Knights of Columbus, Elks, and cullege fraternities or sororities, and may include members of either or both sexes. Fraternal organizalions do not encompass such organizations as business lengues, professional associations, civic associations, or social clubs.
.14 Publicalions of Other Ouallfled Organizations. The following publications (other than requester publications) qualify for the special non-profit rate withoul regard 1o the nonproftt status of the publishing organization:
2. Publications issued by and in the interest of associations of nural electric coopperatives.
b. One publication of the official highway or develapemnt agency of the Siate which meets all the requirements of 422.2 and contains no advertising.
c. Program announcements or guides published by an educational radio or television agency of a State or political subdivision thereof or by a nonprofit educational radio or television station.
d. One conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildife resources of that State.
423.2 Classroom Rate. The classroom rate in 411.34 applies only to religious, educational, or scientific publications designed specifically for use in school classrooms or in religious instruction ciasses. The rate is not applicable for requester publications. See 443 for the application procedures for authorization to mail at the classroom rate.
423.3 Sclence of Agriculture Rate. When at least 70 percent of the total number of copies of any secondclass publication (other than a requester publication) devoted to promoting the science of agriculture are distributed, during any 12 -month period, to subscribers residing in rural areas, the applicable rates in 411.35 or 411.37 may be paid. All copies of the publication distributed by any means for any purpose will be considered in determining whether a publication meets the 70 percent requirement.

## 424 Second-Class Malling Privileges for News Agents

424.1 Definition. News agents are persons or concerns selling two or more second-class publications publisted by more than one publisher. News agents must be authorized by the Postal Service before they may mail sec-ond-class publications at the second-class rates. The application procedures are described in 441.
424.2 Information Required. Before a news agent may mail at second-class rates he must provide the postmiaster, at the office of mailing, evidence that copies of publications offered for mailing are entitled to second-class rates, and that they are sent to actual subscribers or to other news agents for the purpose of sale or distribution to requestors. A secondelass imprint in the copies is sufficient evidence that a publication is entitled to secondelass rates.
424.3 Remalling Without Payment of Postage Prohlbited. A news agent may not remove packages of copies from a post office, write an address on each copy. and return them to the office for dispatch or delivery without paying additional postage.
424.4 Copies Subject to the Regular Rates. Unsold copies returned to the publishers or other news agents, or copies sent to other news agents for purposes other than sule, or to persons not having subscriptions with news agents, are subject to the regular rates in 411.21 .
424.5 Return of Portions of Unsold Publications. Portions of publications which are returned to publishers
to show that copies have not been sold are subject to postage at third- or fourth-class rates, according to weight.

## 425 What May Be Maited at the Second-Class Rates

425.1 Complete Copies. Complete copies of the regular issues of a second-ciass publication may be mailed at the applicable second-class rates in 410 . Copies which arc not complete because pages or portions of pages are missing will be charged with postage at the applicable third- or fourth-class rates.
425.2 Editions and Speclal Issues. The following kinds of editions and special issues may be mailed at the second-class rales:
a. Extra issues or editions published for the purpose of communicating additional news and information received too late for insertion in the regular issue or edition and not intended for advertising purposes.
b. Separate editions of the issues of a sccond-class publication. Separate publications will not be accepted as editions.
c. Issues containing annual reports, directories, lists, and similar texts as a parr of the contents, as long as the copies are not distinguished from the regular issues by bearing designations indicating they are annuals, directories, catalogs, yearbooks, or other types of scparate publications. The regular annual subscription price must include copies of such issues.
425.3 Back Numbers and Reprints. The following kinds of back numbers and reprints of a publication may be mailed at the second-class rates:
a. Unbound copies of back numbers as long as the publication's second-class entry is in effect.
b. Unbound reprint copies of daily publications printed within one week of the date of issue.
c. Unbound reprint copies of other than daily publications printed before the next issue is printed. Other reprints and thound back numbers are charged with postage at the applicable third- or fourth-class rates.
425.4 Supplements. Publishers may include supplements in the regular issue of a publication entered as second-ciass mail subject to the following conditions:
a. The supplement must be germane to the issue, having been omitted in the intercst of space, time, or convenience.
b. Supplements must be folded and mailed with the regular issue.

### 425.5 Parts and Sections

. 51 Regular Pages. The regular pages of a secondclass publication may be prepared in parts or sections. Enclosures prohibited as suppiements (see 425.4) may not be prepared as parts or sections.
.52 Titie. Each part or section must show the titie of the publication.

53 Number. The number of parts or sections in the issue must be stated on the-first page of the first part or section.
. 54 Restrictions. Parts or sections produced by someone other than the publisher may not be mailed at second-class rates if these parts or sections are prepared by or for advertisers or if they are provided to the publisher free or at a nominal charge. Publishers must, upon request, submit to the Office of Mail Classification, Rates and Classification Department, USPS Ileadquarters, Washington. DC 20260 contracts entered into with producers of parts or sections.
425.6 Enclosures. The only enclosures permited in second-class publications are receipts und orders for subseriptions, and incidental First-Class attachments or enclosures as provided for in 136.4. Copies of publications authorized requester mailing privileges may also contain forms for requesting the publication. These may cither be inserted loose or bound in the publication. Preparation methods include, but are not limited 10 :
e. Printed or written;
b. Printed on cards and envelopes including business reply;
c. Arranged to include coin receptacles; or
d. Arranged as combination forms for two or more second-class publications issued by the same publisher.
425.7 Additions. Only the following words, characters, figures. and phrases may be added to copies of second-class publications after they are printed, or placed on the envelopes or wrappers in which they are mailed:
a. Name and address of the person to whom the copies are sent;
b. Name and address of the publisher or sender;
c. Index figures of subscription book. either printed or written;
d. Printed title of the publication and its place of publication;
e. Written or printed words or figures, or both, indicating the fat: on which the subscription ends;
f. Corrections of typographical errors:
g. A mark, except oy written or printed words, to designate a word or passage to which it-is desired to call attention;
h. The words Sample Copy when the copies are sent as samples:
i. The words Marked Copy when the copies contain a marked item or articie:
$j$. The words Return Postage Guaranteed when undeliverable copies are to be returned to the sender:
$k$. The number of copies enclosed if shown on the wrapper or face of a package:

1. Printed material, including advertising matter on the envelopes or wrappers in which publications are mailed. The appropriate rate for advertising matter will he charged for advertising printed on such envelopes or wrappers.
m. Requests for address correction information from the addressee.
n. A package identification notice such as 1 of 4.2 of 4. etc. on package wrappers to indicate multipackage
shipments io une addressec; provided such endorsements do not interfere with the clarity of the address; or
o. Material, including advertising matter, printed on a protective cover as part of the normal printing process for the publication. Nore: Some publishers of secondclass publications attach additional covers around the outside of their publications to protect the publications. Unlike an cnvelope or a wrapper, a protective cover is considered an integral part of the publication if it completely covers the front and back of the publication, is open on three ends, and is permanently attached to the publication. Material may only be added to the protective cover after the printing of the puhlication if the material is a permissible addition as defined above. When calculating the postage charge for a second-class publication with a protective cover, any material printed on the cover must be accounted for in the measurements used to determine the percentage of advertising matter.

### 425.8 Novelty Pages

. 61 Definition. Novelty pages are printed sheets that may be used for purposes other than reading. or printed sheets with novel characteristics. Novelty pages must be prepared specifically for and intended as intearal pages of second-class publications. Blank sheets are not novelty pages. The total number of novelty pages in an issue mas constitute only a minor portion of the total pages. Excessive use of novelty pages gives publications the characteristics. both as to format and purpose, of books, catalogs, or other third- or fnurth-class mail.

202 Examples. The following are examples of novelty pages that may be included in second-class publications:
a. Printed pages bearing words, perforations, or symbols indicating they may be detached;
b. Pages having printed pictures for cutting out:
c. Printed pages with blank spaces for writing or marking;
d. Pages with printed illustratuous permanently pasted to them.
c. Printed coupno(s) or printed application or order form(s) prepared as pages.
f. Pages (other than regular size pages of a publication having pertions which are printed coupon(s) or printed application or order form(s).
8. Pages having printed coupon(s), or printed appliGtion or order form(s) permanently attached. Such couponis), or application or order form(s) must relate directly in advertising or editorial material printed on the page tor which they are permanently attached.
"h. Pu, ap sheets having figures that appear to "pop-up" out of the page, giving a three-dimensional ufiect, when the publication is opened or the page unfolded. "Pop-ups," whether advertising or nonadvertising. usually consist of die-cut pieces pasted to a folded sheet which is bound into a publication. The procedure for compis?ng postage on such material is contained in 482.333 .
i. Multilayer pages produced by gluing two or more sheets together which may or may not have cut-outs, moveable flaps, etc. The procedure for computing postage on such material is contained in 482.333.
f. Printed sheets .which have been folded and affixed to pages.
k. Envelopes which are bound in copies or affixed to pages. (Exception: Envelopes need not be bound in or affixed to pages of a publication if individual copies of the publication are enclosed in an envelope.)

### 425.9 Advertisements

91 Integral Part of the Publication. Advertisements musi be an integral part of the publication. Advertisements must be permanently attached in bound publications. Pagination is not required in periodicals. However, it is recommended that some or all pages of a perindical be numbered or allowed for in the pagination, in a manner which indicates thiat pages containing advertisements are an integral part of the publication, rather thain an independent publication. Independent publications may not be inserted in periodicals as advertisements.
.92 Physical Makeup. The physical makcup of advertisements may include such features as the following:
a. Different advertisements may occupy the same space in different copies of the same issue.
b. Advertisements larger than the regular pages are permissibic and may be prepared for folding mut horizontilly, vertically, or thoth.
c. Advertisenients may be die-cul or deckle-edged.
d. Multiple page advertisements may te prepared for detischment as permitted by 425.82a and may be held together by staples or other means separate from and in addition to the regular binding of the publication.
c. Advertisements may he printed on sheets of paper. cellophane, foil, or other similar materials.

## 426 Copies Not Pald for By the Addressee

### 426.1 Sample Copies

. 11 Mailing Conditions. Complete copies of regular issues or coditions may be mailed as samples at second-class mates under the following conditions:
a. Simple copies of a publication may be mailed at any time during a calcndar year it the same rates as subscriber copies (see 410) up to a limit of 10 percent of the total weight of the copies mailed to subscribers during the calcndar year. Copies misiled at all offices of eniry are included in this determination.
b. Sample copies mailed in excess of the 10 percent linit must be mailed at regular rates (see 411.38 and 4 1 1.39).
. 12 Coples Malled for Advertising Purposes. Copics mailed for advertising purposes under arrangements with advertisers, or others, and copies natilect by a mitlisher acting as an agent for an advertiser. may not the mailed as samples.
. 13 Addressing and Malling. Sample copies may be mailed to boxholders with each copy addressed in the simplified manner shown in 122.41. Copies so addressed must be mailed to each boxholder on a rural or highway contract route, or to each boxholder at post offices not having city letter carrier service. Copies mailed in this manner may not be mailed only to nonsubscribers. All copies sent to nonsubscribers are sample copies. In addition, if such a mailing results in a subscriber receiving a copy in addition to his subscriber copy, the additional copy is considered to be a sample.
426.2 Copies Paid for By Advartisars. Copies paid for by advertisers or others for advertising purposes may be mailed only at regular rates (see 411.21 and 411.22).
426.3 Copies Paid for As Gifts. A portion of the subscription list may consist of persons whose subscriptions were paid by other individuals as gifts. Subscriptions paid by advertisers or other interested persons to promote their own interests, and subscriptions given free by the publishers are not gift subscriptions. Postage on these copies must be paid at regular rates (see 411.21 and 411.22 ).
426.4 Exchange Copies. A minor portion of the subscription list may consist of publishers to whom copies are sent in return for exchange copies of the
recipients' publications. Only one copy may be sent to each publisher.
426.5 Expired Subscriptions. Copies may be mailed at the appropriate subscriber rates of postage (see 410) for 6 nonths after a subscription has expired, if the publisher makes a good faith attempt to obtain payment or a promise of payment for a renewal during the 6 -month period. Postage must be paid at regular rates (see 411.21 and 411.22 ) for copies sent after the 6 months to persons who have not renewed.
426.6 Complimentary Copies. All complimentary copies including copies sent in fulfillment of subscriptions given free by the publishers must be mailed at regular rates (see 411.21, and 411.22).
426.7 Advertisers' Proof Copies. One complete copy of each issue may be mailed at the applicable subscriber rates in 410 to each advertiser in the issue to prove that his advertisement(s) have been printed. Or, copies may be mailed to representatives or agents of the advertiser. The number of proof copies of each issue sent under this section may not exceed the number of advertisers in the issue.
426.8 Copies Mailed By Printer. Copies mailed by a printer to a publisher are chargeable with postage at the applicable third- or fourth-class rate (see 610 and 710).

| Effective Date | Original Entry Circulation |  |  | Re-entry | Additional <br> Entry Zones |  | News Agents Registr: |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Not over 2,000 | 2,001-5,000 | 5,001 \& OVEx |  | 182 | 3888 |  |
| October 11, 1962 | \$ 30 | \$ 60 | \$120 | \$15 | \$15 | \$50 | \$25 |
| May 29, 1978 | 120 | 120 | 120 | 30 | 50 | 50 | 30 |
| March 22, 1981 | 160 | 160 | 160 | 30 | 50 | 50 | 30 |
| February 17, 1985 | 220 | 220 | 220 | 35 | 60 | 60 | 35 |

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SECOND-CLASS MAIL
WITHIN-COUNTY RATES
    Rate History
```

Effective Date

| January 1, 1970 | 1.5 |  | 0.2 |
| :---: | :---: | :---: | :---: |
| May 16, 1971 | 1.5 |  | 0.2 |
| July 6, 1972 | 1.5 |  | 0.2 |
| September 9, 1973 | 1.5 |  | 0.2 |
| March 2, 1974 | 1.6 |  | -- |
| July 6, 1975 | 1.6 |  | -- |
| September 14, 1975 | 1.6 |  | -- |
| December 31, 1975 | 1.7 |  | -- |
| July 6, 1976 | 1.7 |  | -- |
| July 18, 1976 | 1.8 |  | -- |
| July 6, 1977 | 2.1 |  | -- |
| May 29, 1978 | 2.1 |  | -- |
| July 6, 1978 | 2.5 |  | -- |
| July 6, 1979 | 2.8 |  | -- |
| July 6, 1980 | 3.1 |  | -- |
| March 22, 1981 | 3.2 | $\sigma$ | -- |
| July 6, 1981 | 3.5 |  | -- |
| Hovember 1, 1981 | 3.4 |  | -- |
| January 10, 1982 | 3.9 |  | -- |
| July 6, 1982 | 4.1 |  | -- |
| July 28, 1982 | 3.9 |  | -- |
| January 9, 1983 | 4.1 |  | -- |
| February 17, 1985 | 5.8 |  | -- |

I/ Basic and 5-digit $2 I P$ Code presorted pieces.
2/ Carrier route presorted pieces.


I/ Comingled copies above 10 percent by weight of subscriber copies. Effective July 6; 1977: 13.6 cents per pound plus 4.5 cents per piece. Effective May 29, 1978: 15.3 cents per pound plus 5.8 cents per piece. Effective March 22, 1981
and thereafter: same as regular rates except no science of agriculture nor limited circulation rates.
2/ Per-piece charge is based on the level of presortation as prescribed in Chapter 4 of the Danestic Mail Manual.
3/ Excertional rate for publications devoted to the science of agriculture.
I/ Applicable to publications mailing fewer than 5,000 copies per issue outside the county of publication.
$5 /$ A
An SCF difference of 1.0 cent applies to mail destinating in the originating SCF area. The difference is subtracted
from the applicable piece rate.
6/ For regular-rate postage calculation, multiply the percent of editorial content by 0.03 cents and subtract from the applicable piece charye. Does not apply to limited circulation mail ( $D, E$ and $F$ ).

| Effective date | Nonadvertising portion | Advertising portion ${ }^{1 /}$ |  |  |  |  |  |  | Min. <br> rate <br> per <br> piece | Per-Piece Charge |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | zones |  |  |  |  |  |  |  | Level | Level | Level |
|  |  | 182 | 3 | 4 | 5 | 6 | 7 | 8 |  | $\left.\frac{\mathrm{G}}{(\text { cents }} \frac{2 /}{\text { per }} \frac{\mathrm{H}}{\text { piece }}\right) / 2 / \mathrm{I} 2 /$ |  |  |
|  |  |  |  | ts | poun |  |  |  |  |  |  |  |
| January 1, 1970 | 2.1 | 3.45 | 4.05 | 5.25 | 6.4 | 6.9 | 6.9 | 6.9 | 0.2 | -- | -- | -- |
| January 1, 1971 | 2.1 | 4.0 | 4.8 | 6.4 | 8.0 | 8.6 | 8.6 | 8.6 | 0.2 | -- | -- | - |
| Pay 16, 1971 | 2.4 | 4.4 | 5.2 | 6.9 | 8.6 | 9.4 | 9.5 | 9.7 | 0.2 | 0.04 | - |  |
| July 6, 1972 | 2.4 | 4.4 | 5.2 | 6.7 | 8.4 | 9.1 | 9.3 | 9.5 | 0.2 | 0.2 | - |  |
| September 9, 1973 | 2.7 | 4.8 | 5.5 | 7.1 | 8.7 | 9.6 | 10.0 | 10.4 | -- | 0.3 | - |  |
| March 2, 1974 | 2.8 | 4.9 | 5.6 | 7.2 | 8.8 | 9.7 | 10.1 | 10.5 | --- | 0.4 | -- |  |
| July 6, 1974 | 2.9 | 5.1 | 5.8 | 7.3 | 8.9 | 9.9 | 10.4 | 11.0 | --- | 0.4 | -- |  |
| July 6, 1975 | 3.1 | 5.3 | 6.0 | 7.5 | 9.1 | 10.2 | 10.8 | 11.5 | -- | 0.5 | -- |  |
| Septenber 14, 1975 | 3.1 | 5.4 | 6.1 | 7.6 | 9.2 | 10.3 | 10.9 | 11.6 | -- | 0.5 | -- |  |
| Decenter 31, 1975 | 3.3 | 5.5 | 6.2 | 7.8 | 9.4 | 10.4 | 11.1 | 11.7 | -- | 0.6 | -- |  |
| July 6, 1976 | 3.6 | 5.9 | 6.6 | 8.1 | 9.7 | 10.8 | 11.6 | 12.4 |  | 0.8 | --- | --- |
| July 18, 1976 | 3.7 | 6.0 | 6.7 | 8.2 | 9.9 | 11.0 | 11.7 | 12.5 |  | 0.6 | -- | - |
| July 6, 1977 | 4.2 | 6.7 | 7.4 | 8.9 | 10.5 | 11.7 | 12.6 | 13.5 | SCF | 1.1 | --- | --- |
| May 29, 1978 | 4.4 | 6.9 | 7.6 | 9.1 | 10.8 | 12.0 | 13.0 | 13.9 | Difference 3/ | 1.3 | - | -- |
| July 6, 1978 | 5.0 | 7.8 | 8.5 | 9.9 | 11.6 | 13.1 | 14.2 | 15.3 | - | 1.7 | -- | -- |
| July 6, 1979 | 5.7 | 8.7 | 9.4 | 10.8 | 12.5 | 14.1 | 15.4 | 16.6 | --- | 2.1 | -- | -- |
| July 6, 1980 | 6.4 | 9.6 | 10.3 | 11.6 | 13.4 | 15.2 | 16.6 | 18.0 | - | 2.6 | - |  |
| Harch 22, 1981 | 6.3 | 9.3 | 10.0 | 11.4 | $13.3 *$ | 15.0 | 16.6 | 18.0 | -- | 2.8 | 2.6 | 2.5 |
| July 6, 1981 | 6.8 | 9.8 | 10.6 | 12.1 | 14.1 | 16.0 | 17.7 | 19.4 | - | 3.6 | 2.0 | 1.0 |
| November 1, 1981 | 6.6 | 9.6 | 10.4 | 11.8 | 13.6 | 15.4 | 17.0 | 18.6 | -- | 3.5 | 1.9 | 0.9 |
| January 10, 1982 | 8.8 | 11.7 | 12.4 | 13.6 | 15.5 | 17.4 | 19.8 | 21.8 | - | 7.1 | 5.5 | 4.5 |
| July 28, 1982 | 7.7 | 10.7 | 11.4 | 12.7 | 14.6 | 16.4 | 18.4 | 20.2 | -- | 5.3 | 3.7 | 2.7 |
| January 9, 1983 | 8.0 | 11.0 | 11.7 | 13.0 | 14.9 | 16.7 | 18.8 | 20.7 | - | 5.9 | 4.3 | 3.3 |
| February 17, 1985 | 7.5 | 10.1 | 11.3 | 13.0 | 15.6 | 18.3 | 21.3 | 23.9 | 1.0 | 6.5 | 3.9 | 2.0 |

I) If the advertising portion of an issue is 10 percent or less, non-advertising rates apply.

2/ Three per-piece rates reflect three levels of presortation: Level G: Basic, Level H: 5-digit 2ip Code, and Level I: Carrier Route.
3/ An SCF difference of 1.0 cent applies to mail destinating in the originating SCF area. The difference is subtracted frou the applicable piece rate.


I/ An SCF difference of 1.0 cent applies to mail destinating in the originating SCF area. The difference is subtracted from the piece rate.

SECOND-CLASS MAIL TRANSIENT RATE Rate History

| Effective Date |  | Transient Rate |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | First 2 ounces |  | $\begin{aligned} & \text { Each Additional } \\ & \text { Ounce } \\ & \hline \end{aligned}$ |  |
| January 7, 1968 |  | 54. |  | 18 |  |
| May 16. 1971 |  | 6 |  | 1 |  |
| July 6, 1972 |  | 6 |  | 2 |  |
| March 2, 1974 |  | 8 |  | 2 |  |
| September 14, 1975 |  | 8 |  | 4 |  |
| July 18, 1976 |  | 10 |  | 4 |  |
| July 6: 1977 |  | 10 |  | 6 |  |
| May 29. 1978 |  | 10 |  | 6 |  |
|  | 102. | 1-202. | 2-3 oz. | Each <br> Add'l oz. to 8 OZ . | Each <br> Add'l 2 Oz. over 8 oz. |
| March 22, 1981 | 15 | 33 | 49 | 10 | 10 |
| November 1. 1981 | 19 | 35 | 45 | 10 | 10 |
| February 17, 1985 2/ | -- | - - - | -- | -- | -- |

I/ postage computed on each individually-addressed copy.
2/ Transient second class eliminated on February 17. 1985.

## Sample of American Periodicals

HSLNDSS (American Publications)

Total

| Title | Publisher Name | Address/Phone | Issues <br> per yr | Subscription Price | Total <br> Circulation (in 1,000's) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Barron's National | Dow Jones \& Co., Inc. | 22 Cortland St. | 52 | \$71/yr | 2696 |
| Business and |  | New York, NY |  |  |  |
| Financial Weekly |  | 10007 |  |  |  |
| Black Enterprise | Earl G. Graves Publishing Co., Inc. | 295 Madison Ave. <br> New York, NY 10017 | 12 |  | 2389 |
| Sinancial World | Macro Communications | 913, 3rd Ave. New York, NY 10022 | 26 | \$ 42/yr | 1262 |
| Forbes | Forbes Inc. | 60 Fifth Avenue New York, NY 10011 | 26 | \$ 39/yr | 7210 |
| Fortune | Time Inc. | 541 N. Fairbanks Ct. Chicago, Illinois 60611 | 26 | \$ $39 / \mathrm{yr}$ | 6042 |
| Marvard Business Review | President and Fellows of Harvard College | Soldiers Field, <br> Boston, Mass. 02163 | 6 | \$ 30/yr | 1923 |
| Voney | Time Inc. | 541 N. Fairbanks Ct. Chicago, Illinois 60611 | 12 | \$ $26 / \mathrm{yr}$ | 14554 |
| The Money Mnager | The Bond Buyer | One State St. Plaza New York, NY 10004 | 52 |  |  |
| Metion's Ausiness | Chamber of Commerce of U.S.A. | $\begin{aligned} & 1615 \text { H St.. N.W. } \\ & \text { Washington, DC } \\ & 20062 \end{aligned}$ | 12 | \$ $22 / \mathrm{yr}$ | 8619 |
| RadioElectronics | Gernsback Publications Inc. | 200 Park Ave. South New York, NY 10003 | 12 | \$ 15/yr | 2150 |
| Technology Review | Alumi Assc. of MIT | MIT, 10-140 <br> Cambridge Massachusetts 02139 | 8 |  |  |
| merican Agriculturalist | American Agriculturalist, Inc. | P.O. Box 370 <br> Ithaca, NY 14850 | 12 | \$ 6/yr | 680 |
| merican Vegetable trowers | Meister Publishing Co. | 37841 Duclid Ave. Willoughby, Chio 44094 | 12 | \$ 10/yr | 266 |
| Glifornia Parmer | California Farmer | 83 Stevenson St. San Francisco, California 94105 | 12 | \$ 10/yr | 556 |

Total

| Title | Publisher Name | Address/Phone | Issues per yr | $\qquad$ | Circulation (in 1.000 's) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Atlantic Monthly | The Atlantic Monthly Company | 8 Arlington Street Boston, Mass. 02116 | 12 | \$ $18 / \mathrm{yr}$ | 4168 |
| Better Homes and Gardens | Meredith Corporation | 1716 Locust Street Des Moines, Iowa 50336 | 12 | \$ 13/yr | 80365 |
| Car Craft | Peterson Publishing Co. | 8490 Sunset Blvd. Los Angeles, California 90069 | 12 | \$ 12/yr | 3584 |
| Cosmopolitan | The Hearst Corp. | 224 W. 57th Street New York, NY 10019 | 12 | \$ 24/yr | 27603 |
| Ebony | Johnson Publishing Co. |  | 12 | \$ 16/yr | 17028 |
| Harper's Magazine | Harper's Magazine Co. | 2 Park Avenue New York, NY 10016 | 12 | \$ 18/yr | 1422 |
| Hot Rod | Peterson Publishing Co. | 8490 Sunset Blvd. <br> Los Angeles, <br> California 90069 | 12 | \$ 12/yr | 7566 |
| MoCall's | The McCall Publishing Co. | 230 Park Avenue New York, NY 10017 | 12 | \$ 10/yr | 61101 |
| Modern Bride | Ziff-Davis Publishing Co. | One Park Avenue New York, NY 10016 | 6 | \$ 15/yr | 3994 |
| National Geographic | National Geographic Society | 1145-17th St., N.W. Washington, $1 \mathbf{C}$ 20036 | 12 | \$ 15/yr | 82703 |
| Outdoor Life | Times Mirror Magazines Inc. | 380 Madison Avenue New York, NY 10017 | 12 | \$ 14/yr | 14908 |
| Parents | Parents' Magazine Enterprises subsidiary of Gruner and Jahr, USA, Inc. | 52 Vanderbilt Ave. New York, NY 10017 | 12 | \$ 14/yr | 16108 |
| Saturday Review | Saturday Review Magazine Corp. | 1290 Ave. of the Americas New York, NY 10019 | 26 |  |  |
| Time | Time Inc. | 541 N. Fairbanks Ct. Chicago, Illinois 60611 | 52 | \$ 46/yr | 48873 |
| Sports <br> Illustrated | Time Inc. | 541 N. Fairbanks Ct. Chicago, Illinois 60611 | 54 | \$ 48/yr | 25850 |


| (TISTIC/LITE | RY (American Publicatio |  |  |  | Tota |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Title | Publisher Name | Address/Phone | Issues per yr | $\begin{gathered} \text { Subscription } \\ \text { Price } \\ \hline \end{gathered}$ | Circulation (in 1,000's) |
| mrican Artist | Billboard Publication | 1 Aston Plaza, 1515 Broactway New York, NY 10036 | 12 | \$ 19/yr | 1590 |
| erican Film | The American Film Institute | J.F. Kennedy Center Washington, DC $20566$ | 10 | \$ 13/yr | 434 |
| 中rican Whotographer | Image Nation Company | 111 Eighth Ave. New York, NY 10011 | 12 | \$ $20 / \mathrm{yr}$ | 2991 |
| ith in America | Art in America Inc. | 850 3rd Avenue <br> New York, NY 10022 | 12 | \$ 35/yr | 481 |
| OrT news | ART news Associates | 122 East 42nd St. <br> New York, NY 10017 | 12 | \$ $26 / \mathrm{yr}$ | 691 |
| Wok Digest | Book Digest Company Inc. | 730 Fifth Avenue New York, NY 10019 | 12 |  |  |
| - bdern hotography | A.B.C. Leisure Magazines | 130 E. 59th Street New York, NY 10022 | 12 | \$ 14/yr | 6588 |
| bera News | Metropolitan Opera Guild | 1865 Broadway New York, NY 10023 |  | \$ 30/yr | 1112 |
| Motographic | Peterson Publishing CO. | 8490 Sunset Blvd. Los Angeles, California 90069 | 12 |  | 2735 |
| Heet Music Kgazine | Shacor, Inc. | 352 Evelyn Street Paramus, New Jersey 07652 |  | \$ 14/yr | 2467 |

Total

| Title | Publisher Name | Address/Phone | Issues per yr | Subscription Price | $\begin{aligned} & \text { Circulation } \\ & \text { (in } 1,000^{\prime} \text { ) } \\ & \hline \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| merican Scientist | Sigma Xi. The Scientific Research Society | 345 Whitney Ave. New Haven, Conn. 06511 | 6 | $\begin{aligned} & \$ 20 / y r \\ & \text { (included in } \\ & \text { annual dues) } \end{aligned}$ | 1184 |
| Athletic Journal | Athletic Journal Publishing Co. | 1719 Howard St. <br> Evanston, Illinois 60602 | 12 | \$ 8/yr | 309 |
| The Chronicle of Higher Education | Editorial Projects for Education, Inc. | 1333 New Hampshire Avenue N.W. Washington, DC 20036 | 52 | \$ $45 / \mathrm{yr}$ | 696 |
| Early American Life | Early American Society | P.O. Box 1831 <br> Harrisburg, PA 17105 | 6 | \$ 15/yr | 3077 |
| Early Years | Allen Raymond Inc. | 11 Hale Lane, Box 122 <br> Darien, Conn. 06820 |  |  |  |
| learning | Education Today Company Inc. | 530 University Ave. Palo Alto, Cal. 9430 |  | \$ 18/yr | 1688 |
| Media and Methods | North American Publishing Co. | 401 N. Broad Street Philadelphia PA 1910 |  |  |  |
| htural History | American Museum of Natural History | Central Park West at 79th Street, New Yor NY, 10024 | $12$ | \$ 18/yr | 4906 |
| 1 ;Science | American Assc. for the Advancement of Science | 1515 Massachuset ts Avenue N.W. Washington, DC 20005 | $52$ | \$ $28 / \mathrm{yr}$ | 1392 |
| Science News | Science Service Inc. | 1719 N. Street, N.W. Washington, DC 20036 | $52$ | \$ $28 / \mathrm{yr}$ | 1387 |
| Ini thsonian | Smi thsonian Institution | 900 Jefferson Drive Washington, DC 20560 | 12 | \$ $14 / \mathrm{yr}$ | 20326 |


| Title | Publisher Name | Address/Phone I | $\begin{aligned} & \text { Issues } \\ & \text { per yr } \end{aligned}$ | $\begin{gathered} \text { Subscription } \\ \text { Price } \\ \hline \end{gathered}$ | $\begin{aligned} & \text { Circulation } \\ & \text { (in } 1,000 \text { s) } \\ & \hline \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 16 | A.D. | 1840 Interchurch <br> Centre, 475 <br> Riverside Drive <br> New York, NY 10027 |  | - |  |
| holic Digest | The Catholic Digest Inc. | 2115 Surmit Ave. <br> St. Paul, Minn. 55105 | 12 | \$ 11/yr | 5876 |
| "Catholic lew | Cathedral Foundation Inc. | 320 Cathedral Street <br> P.O. Box 777 <br> Baltimore, Maryland 21203 |  |  |  |
| 4 chweek | All-Church Press Inc. | $\begin{aligned} & \text { P.O. Box } 1159 \\ & \text { Fort Worth, Texas } \\ & 76101 \end{aligned}$ |  |  |  |
| llas World | All-Church Press Inc. | $\begin{aligned} & \text { P.O. Box } 1159 \\ & \text { Fort Worth, Texas } \\ & 76101 \end{aligned}$ |  |  |  |
| * ${ }^{\text {a }}$ (on Times | All-Church Press Inc. | P.O. Box 1159 <br> Fort Worth, Texas 76101 | 52 |  |  |
| T Jewish News | Jewish Commenity Federation of Metropolitan New Jersey | 60 Glenwood Ave. East Orange, New Jersey 07017 | 52 | \$ $5 / \mathrm{yr}$ | 220 |
| Phis Mirror | All-Church Press Inc. | $\begin{aligned} & \text { P.O. Box } 1159 \\ & \text { Fort Worth, Texas } \\ & 76101 \end{aligned}$ | 52 |  |  |
| 4 Tablet | The Tablet Publishing Company | 1 Hanson Place Brooklyn, NY 11243 | 52 |  | 916 |
| Whita Light | All-Church Press Inc. | P.O. Box 1159 <br> Fort Worth, Texas <br> 76101 | 52 |  |  |

## APPENDIX C

RESEARCH OUTLINE FOR STUDY OF U.S. AND CANADIAN PERIODICALS


| Concepts | Indicators | Data Sources |  | Corments |
| :---: | :---: | :---: | :---: | :---: |
|  |  | U.S. | Canada |  |
| Publication Characteristics |  |  |  |  |
| - Distribution | - Number (\%) mailed <br> - Numbers (\%) addressed if mailed | Not <br> Available | Canada Post Publishers | Not available for all periodicals sampled for all years. |
| - Geographic Dispersion (National/Regional) | - Subscriptions/population by region | ABC | CARD |  |
| Readership Characteristics |  |  |  |  |
| - Socio-demographics/Market segmentation | - Age <br> - Sex <br> - Language <br> - Incane <br> - Education <br> - Occupation | Not Available | $\begin{aligned} & \text { DOC Surveys } \\ & \text { CARD } \end{aligned}$ | It will not be possible or practical to collect this data for all periodicals in the sample. Changes in market segnentation will be followed where possible. |
| - Readership loyalty/ continuity | - Average length of subscription held | Not Available | DOC Surveys |  |
| - Reader Satisfaction | - Expressed satisfaction | Not Available | DOC Surveys |  |


| Concepts | Indicators | Data Sources |  | Conments |
| :---: | :---: | :---: | :---: | :---: |
|  |  | U.S. | Canada |  |
| Financial Profile |  |  |  |  |
| - Financial Viability | - Gross revenues <br> - Expenditures <br> - Price elasticities (subscription/ cover) | ABC | $\begin{array}{\|c\|} \text { CARD } \\ \text { DOC Surveys } \end{array}$ |  |
| - Distribution Costs | - Postal expenses <br> - Postal expenses per unit | U.S. Postal Service | Canada Post |  |
| - Revenues | - Subscription revenues <br> - Single copy sale revenues <br> - Advertising rates/revenues | The Folio: 400 |  |  |
| Publisher Characteristics |  |  |  |  |
| - Size | - Number of publications |  | CAFD | ABC does not include a summary of publishers. |
| - Type | - Profit/Non-profit | ABC |  |  |
| - Publication profile | - Similar/Dissimilar | Not Available | CARD |  |

APPENDIX D

## APPENDIX D

## U.S. Postal Study - Data Capture Specifications

Variable \begin{tabular}{l}
Record <br>
Number

 

Number <br>
Ofields
\end{tabular} Fields Comments

| Publication <br> identifier | 1 | 3 | $1-3$ |
| :--- | :--- | :--- | :--- |
| Record Number | 1 | 2 | $4-5$ |
| Canada/U.S. Code | 1 | 1 | 6 |

Postal classification 1

Trim size

Weight
1
1
10
based on
weight categories

Frequency of publication

1
2
11-12 number of issues per year

Years published 1
3
13-15
Number of
publications by publisher (includes annual)

1

$$
\begin{aligned}
\text { 16-18 } & \text { includes } \\
& \text { sampled } \\
& \text { periodical }
\end{aligned}
$$

| ```Circulation of all publications``` | 1 | 5 | 19-23 | in $1,0001 s$ |
| :---: | :---: | :---: | :---: | :---: |
| Publisher type | 1 | 1 | 24 | profit/nonprofit |
| Publisher type | 1 | 1 | 25 | similar/ <br> dissimilar <br> other <br> publications |

Variable \begin{tabular}{c}
Record <br>
Number

 

Number <br>
ofields Fields
\end{tabular} Comments

The following variables will be captured for each of the publications up to ten years (1975-1984).

Publication
identifier
2
3
1-3

Record Number
(doubles
as year
identifier)
2
2

$$
4-5
$$

identifies
year as 1984
Average total
Canadian
circulation
2
5
6-10
in $100^{\prime} \mathrm{s}$
Specific
Canadian
circulation*
2
5
11-15
Circulation
Atlantic
2
4
16-19
Quebec
2
4
20-23
Ontario
2
4
2427
Prairies
2
4
28-31
B.C.

2
4
32-35
Subscription
sales -
Canada
2
4
36-39.
Single copy sales - Canada 2

4
40-43
Total U.S. circulation

2
5
44-48
Subscription
sales - U.S.
2
5
49-53
Single copy
sales - U.S.
2
5
54-58

* For specific financial statement.

| Variable | Record Number | $\begin{gathered} \text { Number } \\ \text { of Fields } \\ \hline \end{gathered}$ | Fields | Comments |
| :---: | :---: | :---: | :---: | :---: |
| Subscription $\cos t$ | 2 | 2 | 59-60 | average annual cost to nearest dollar |
| Cover price | 2 | 2 | 61-62 | cover price to nearest ten cents (in 10's) |
| Percentage of subscriptions mailed | 2 | 4 | 63-66 |  |
| Total postal costs | 2 | 4 | 67-70 | annual costs (in 1.000's) - issue and piece costs can be computed |
| Subsidized rate postal costs | 2 | 4 | 71-74 | (i.e., second class costs in Canada) |
| Gross revenues | 2 | 5 | 75-79 |  |
| Subscription revenues | 2 | 5 | 80-84 |  |
| Single copy sale revenues | 2 | 5 | 85-89 |  |
| Advertising revenues | 2 | 4 | 90-93 |  |
| ```Total expenditures``` | 2 | 5 | 94-98 |  |
| Advertising rates - colour | 2 | 5 | 99-103 | based on 1 page, 1 time, 4 colour ads |
| Advertising rates - black and white | 2 | 5 | 104-108 |  |

The format for record number two (1984) will be repeated for records three (1983) through eleven (1975).

## APPENDIX E <br> American Consumer Price Index

|  | $1975-84$ <br> Year <br> 1975 |
| :--- | :---: |
| 1976 | 59.1 |
| 1977 | 61.9 |
| 1978 | 66.1 |
| 1979 | 72.1 |
| 1980 | 81.7 |
| 1981 | 91.8 |
| 1982 | 100.0 |
| 1983 | 103.9 |
| 1984 | 107.8 |

Source: U.S. Chamber of Commerce

APPENDIX F

APPENDIX F. 1
Average Total Circulation Per Issue for American Periodical Sample, Overall and by Type, 1975-1984

| Year | Business | Consumer | Scholarlyl <br> Educational | Artisticl <br> Literary | Religious | Orerall |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| 1975 | 290,000 | $2,567,857$ | 212,400 | 158,600 | 116,800 | 853,235 |
| 1976 | 301,833 | $2,543,467$ | 263,400 | 173,400 | 108,400 | 891,519 |
| 1977 | 315,000 | $2,536,867$ | 304,300 | 270,167 | 102,200 | 896,585 |
| 1978 | 303,077 | $2,579,533$ | 321,600 | 314,000 | 104,200 | 903,241 |
| 1979 | 323,692 | $2,604,928$ | 307,182 | 250,400 | 98,300 | 819,707 |
| 1980 | 315,714 | $2,778,071$ | 310,182 | 271,111 | 83,778 | 875,772 |
| 1981 | 339,846 | $2,785,429$ | 343,800 | 225,667 | 188,000 | 992,700 |
| 1982 | 338,923 | $2,781,643$ | 381,667 | 188,750 | 235,667 | $1,042,574$ |
| 1983 | 382,308 | $2,826,071$ | 266,333 | 207,125 | 233,000 | $1,048,681$ |
| 1984 | 416,727 | $3,144,214$ | 165,667 | 204,125 | 233,333 | $1,165,044$ |

Source: ABC Blue Books

## APPENDIX F. 2 <br> Average Subscription Circulation Per Issue for American Periodical Sample, Overall and by Type, 1975-1984

| Year | Business | Consumer | Scholarly/ <br> Educational | Artistic/ <br> Literary | Religious | Orerall |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| 1975 | 274,583 | $2,211,572$ | 210,300 | 120,600 | 101,300 | 744,627 |
| 1976 | 285,750 | $2,177,533$ | 261,600 | 134,000 | 93,000 | 775,154 |
| 1977 | 297,583 | $2,163,000$ | 302,200 | 233,000 | 87,200 | 779,396 |
| 1978 | 285,538 | $2,185,400$ | 319,200 | 290,167 | 89,400 | 783,704 |
| 1979 | 306,077 | $2,275,571$ | 302,364 | 226,200 | 83,700 | 728,655 |
| 1980 | 295,929 | $2,368,857$ | 307,455 | 252,556 | 67,778 | 764,421 |
| 1981 | 315,769 | $2,407,928$ | 340,400 | 205,333 | 152,750 | 873,580 |
| 1982 | 309,154 | $2,381,286$ | 377,333 | 166,500 | 190,667 | 907,596 |
| 1983 | 338,769 | $2,420,857$ | 373,000 | 182,750 | 188,333 | 929,362 |
| 1984 | 369,000 | $2,426,643$ | 381,667 | 182,375 | 189,000 | 966,511 |

Source: ABC Blue Books
n
-

## APPENDIX F. 3

Average Single Copy Circulation Per Issue for American Periodical Sample, Overall and by Type, 1975-1984

| Year | Business | Consumer | Scholarly/ <br> Educational | Artistic/ <br> Literary | Religious | Overall |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1975 | 16,727 | 383,154 | 2,200 | 37,800 | 15,400 | 112,857 |
| 1976 | 17,182 | 391,643 | 1,900 | 39,000 | 15,300 | 120,780 |
| 1977 | 18,818 | 402,000 | 2,100 | 36,833 | 14,900 | 122,078 |
| 1978 | 18,750 | 410,400 | 2,556 | 23,667 | 14,800 | 128,731 |
| 1979 | 22,500 | 400,071 | 2,091 | 24,000 | 14,500 | 113,346 |
| 1980 | 19,500 | 440,077 | 2,727 | 18,000 | 15,889 | 113,018 |
| 1981 | 23,846 | 377,286 | 3,444 | 19,889 | 35,000 | 121,265 |
| 1982 | 29,539 | 400,143 | 4,333 | 21,500 | 45,000 | 134,723 |
| 1983 | 43,000 | 433,077 | 4,556 | 23,750 | 44,667 | 142,478 |
| 1984 | 47,364 | 426,231 | 6,111 | 21,250 | 44,333 | 145,909 |

Source: ABC Blue Books

# APPENDIX $\operatorname{F.4}$ <br> Average Subscription Price (1981 Dollars) for American Periodical Sample, Overall and by Type, 1975-1984 

| Year | Business | Consumer | Scholarly/ <br> Educational | Artisticl <br> Literary | Religious | Overall |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| 1975 | 22.00 | 16.71 | 16.90 | 21.40 | 4.50 | 15.82 |
| 1976 | 21.91 | 16.80 | 16.30 | 21.40 | 5.50 | 16.04 |
| 1977 | 22.09 | 17.47 | 16.50 | 19.50 | 6.10 | 16.31 |
| 1978 | 21.92 | 18.07 | 16.60 | 20.00 | 5.80 | 16.57 |
| 1979 | 22.50 | 17.80 | 15.81 | 19.10 | 5.80 | 16.55 |
| 1980 | 21.92 | 18.20 | 15.36 | 19.22 | 5.67 | 16.68 |
| 1981 | 21.53 | 17.60 | 16.70 | 19.00 | 7.50 | 17.88 |
| 1982 | 20.23 | 15.93 | 16.11 | 17.75 | 8.50 | 17.17 |
| 1983 | 20.15 | 15.21 | 17.11 | 17.13 | 8.00 | 16.81 |
| 1984 | 22.55 | 15.57 | 17.00 | 17.00 | 8.00 | 17.31 |

Source: ABC Blue Books
.

APPENDIX F. 5 Average Single Copy Price (1981 Dollars) for American Periodical Sample, Overall and by Type, 1975-1984

| Lear | Business | Consumer | Scholarly/ <br> Educational | Artisticl <br> Literary | Religious | Orerall |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| 1975 | 2.15 | 1.54 | 1.97 | 2.56 | .54 | 1.79 |
| 1976 | 2.10 | 1.52 | 2.03 | 2.66 | .54 | 1.79 |
| 1977 | 2.14 | 1.60 | 2.05 | 2.52 | .44 | 1.82 |
| 1978 | 2.09 | 1.64 | 1.97 | 2.73 | .56 | 1.85 |
| 1979 | 1.98 | 1.60 | 1.81 | 2.34 | .54 | 1.76 |
| 1980 | 2.04 | 1.68 | 2.01 | 2.33 | .38 | 1.85 |
| 1981 | 1.88 | 1.60 | 1.63 | 2.24 | .38 | 1.68 |
| 1982 | 1.78 | 1.46 | 1.56 | 2.06 | .20 | 1.61 |
| 1983 | 1.75 | 1.53 | 1.72 | 2.04 | .40 | 1.63 |
| 1984 | 1.82 | 1.52 | 1.71 | 2.14 | .46 | 1.66 |
| 1 |  |  |  |  |  |  |

Source: ABC Blue Book

## APPENDIX F. 6

Average Advertising Rates (1981 Dollars) for American Periodicals, 1975-1983

| Year | Overall (Colour) | Percentage Change | Overall <br> (Black White) | Percentage Change |
| :---: | :---: | :---: | :---: | :---: |
| 1975 | 3336.26 |  | 2395.42 |  |
| 1976 | 3356.58 | 0.6\% | 2511.33 | 4.88 |
| 1977 | 3285.38 | -2.1\% | 2326.29 | -7.4\% |
| 1978 | 3271.38 | -0.48 | 2322.67 | -0.2\% |
| 1979 | 3236.05 | -1.1\% | 2312.45 | -0.4\% |
| 1980 | 3223.64 | -0.4\% | 2308.14 | -0.2\% |
| 1981 | 2971.09 | -7.8\% | 2130.14 | -7.7\% |
| 1982 | 3505.00 | 18.0\% | 2519.84 | 18.3\% |
| 1983 | 3680.68 | $5.0 \%$ | 2581.95 | 2.5\% |

Source: ABC Trend Report. Information on advertising rates was available only for publications with a circulation greater than $500,000 \quad(N=22)$. Breakdowns by category are therefore not possible.

THE EFFECT OF U.S. POSTAL RATES ON THE AMERICAN PERIODICAL INDUSTRY

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[^0]:    Source:
    U.S. Department of Cormerce, 1982.

[^1]:    Source: DRI sample 85 Magazines.

