## Evaluation Study

## Etude d'évaluation

# 1. Evaluation study <br> OF THE 

## POSTAL SUBSIDY PROGRAM

## APRIL 24, 1986



DOC
PROGRAM EVALUATION SERIES


This evaluation study was prepared by the Program Evaluation Division of the Department of Communications, Canada.


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## EXECUTIVE SUMMARY

The Concessionary Rate Postal Subsidy Program has been in place since shortly after Confederation. The total cost to the government of the Program is currently $\$ 220$ million per year, of which an estimated $\$ 170$ million is provided through an "infrastructure payment" allocated by Canada Post. DOC contributes additional funds which make up the estimated difference between the actual revenue received by Canada Post and what it would receive if publishers pald commercial rates. In 1985-86, the Department allocated $\$ 55.1$ million for the Program. Almost nine tenths of this supported the mailing of newspapers (approximately 32 percent) and periodicals ( 59 percent). By subsidizing the mailing costs of these and other types of published material, the Program has aimed at three objectives:
(1) To encourage a more informed, better educated public;
(2) To encourage a financially heal thier Canadian publishing industry; and
(3) To improve Canadian's access to Canadian cultural products.

This evaluation focused on the potential effects on newspapers and periodicals of reductions or elimination of the Program. A variety of sources and methodologies were used: surveys and case studies were used to reach readers, advertisers and publishers; time-series analysis was used to investigate industry-level trends over the past ten years: the postal subsidy reduction experience of the United States was studied. In addition to this new work, information from a number of earlier studies was used in the evaluation.

The principal findings of the evaluation study of the Postal Subsidies Program are:

- as stated by the 1984 Woods Gordon study (page 155), the Program as a whole is no longer an appropriate or, at $\$ 220 \mathrm{million}$ a year, cost-effective way to pursue any objectives whether economic, communicative, or cultural.
- the Program is a form of regressive income transfer as its major beneficiaries are the better-off and better-educated readers who tend to purchase the most publications (Section 3.1.3). See, however, the following finding.
- some 300,000 rural newspaper subscribers, who tend to be less affluent than urban readers, are vulnerable to reduced access to information if (as is likely) newspapers respond to increased postal rates by reducing or eliminating mail circulation (Section 3.1).
- the Program could not be eliminated in the short term (i.e. one or two years) without causing severe financial hardship to those Canadian periodicals publishers who distribute substantial amounts of their current circulation by mail subscription. This involves over $90 \%$ of artistic/literary and scholarly/ educational magazines' circulation, around two thirds of general consumer periodicals, half of religious magazines, and fifth of trade publications (Section 3.2.2).
- demand for high circulation trade and consumer magazines, which are the categories of periodical receiving the greatest benefit from the Program, is relatively inelastic as regards price; gradual increases to subscription prices (e.g. on the order of $10 \%$ per year) could likely be made by publishers without serious loss in circulation or reduced advertising revenue (Section 3.1.2).
- regional consumer magazines with small circulations are the category of periodical most vulnerable to advertising revenue loss in the event of reduced circulation due to postal rate increases (Section 3.4).
- with limited access to newsstands, no major alternative to the mail is available for delivery of most Canadian periodicals. If the convenience of home delivery were not available, circulation for Canadian periodicals would drop sharply by as much as half, which underlines the critical importance of Canada Post to the industry. Experiments with alternative delivery systems in the US have been unsuccessful (Sections 3.2.2 and 3.4.1).
- the newspaper industry as a whole is less vulnerable to rate increases as only two percent of total circulation is delivered by mail. However, between 80 and 90 small rural weeklies and ten to 15 small dailies may be financially dependent on continued support for mailing, especially to rural subscribers (Section 3.1.4).

Le Programme des tarifs postaux prēférentiels existe depuis peu de temps après la Confédēration. Il en coûte actuellement au gouvernement 220 millions de dollars par année pour le maintenir, dont une somme estimative de 170 millions de dollars est fournie au moyen d'une subvention de base allouēe par la Sociētē canadienne des postes. Le MDC fournit en outre les fonds qui compensent la différence estimative entre les recettes réellement perçues par la Sociētē canadienne des postes et celles que celle-ci percevrait si les éditeurs payaient les tarifs commerciaux. En 1985-1986, le Ministère a affectē une somme de 55,1 millions de dollars au programme. Près de neuf dixièmes de cette somme ont été versés au titre de l'aide à la distribution des journaux (environ 32 p. 100) et des périodiques ( 59 p. 100) par la poste. En subventionnant les coûts de la distribution par la poste de ces types de publication, le Programme avait les objectifs suivants :

1) encourager l'information et l'éducation du public;
2) favoriser la viabilitē financière de l'industrie canadienne de l'édition;
3) faciliter aux Canadiens l'accès aux produits culturels canadiens.

L'évaluation s'est donnée pour objet de déterminer les conséquences que pourrait avoir sur la distribution des journaux et des périodiques la réduction ou l'élimination du programme. Les évaluateurs ont eu recours à diverses sources et méthodes : ills se sont servis d'enquêtes et d'études de cas pour consulter les lecteurs, les annonceurs et les éditeurs; ils se sont servis de l'analyse chronologique pour dégager les tendances qui se sont manifestēes dans l'industrie au cours des dix dernières années; ils gnt examiné les résultats de la réduction des subsides postaux aux Etats-Unis. De plus, ils ont utilisé les renseignements fournis par un certain nombre d'études effectuées antérieurement.

Les principales conclusions de l'évaluation menée à propos du Programme des subsides postaux sont les suivantes :

- comme l'indique l'étude effectuée par 1a maison Woods Gordon en 1984 (page 155), le Programme dans son ensemble n'est plus un moyen judicieux ni économique (son coût etant de 220 millíons de dollars par année) de réaliser des objectifs d'ordre économique ou culturel, ou du domaine des communications.
- Le Programne est une forme d'impōt dégressif étant donnē que ses principaux bénéficiaires sont les lecteurs les plus à l'aise et ceux qui ont la meilleure éducation, qui ont l'habitude d'acheter le plus grand nombre de publications (section 3.1.3). On notera cependant l'objet de la constatation qui suit.
- Dans les régions rurales, quelques 300 abonnēs des journaux, qui sont habituellement moins à l'aise que les lecteurs urbains, risquent de voir réduire leur accès à l'information si (comane tout le laisse croire), les éditeurs de journaux répondent à l'augmentation des tarifs postaux en réduisant ou éliminant complètement la distribution par la poste (section 3.1).
- Le Programme ne pourrait pas être éliminé à brève échéance (c'est-à-dire un ou deux ans) sans occasionner de graves difficultés financières aux éditeurs canadiens de pēriodiques qui distribuent une grande proportion de leur tirage par la poste. Tel est le cas de plus de 90 p. 100 du tirage des magazines artistiques/littéraires et des magazines savants/ēducatifs, d'environ les deux tiers des périodiques du grand public, de la moitié des magazines religieux et de 20 p. 100 des publications commerciales (section 3.2.2).
- En ce qui concerne les magazines d'affaires et de consommation qui ont un fort tirage, catēgorie de pēriodiques qui bēnēficie le plus du Programme, la demande est relativement peu susceptible de fluctuer en fonction de l'augmentation des prix; les éditeurs de ces magazines pourraient vraisemblablement augmenter le prix de l'abonnement (par exemple de 10 p. 100 par année) sans compromettre gravement leur tirage ni les recettes qu'ils touchent au titre de la publicité (section 3.1.2).
- Les magazines régionaux de consommation qui ont un faible tirage constituent la catégorie de périodiques la plus susceptible d'accuser des pertes de recettes au titre de la publicitē si leur tirage devait être réduit en raison de majoration des tarifs postaux (section 3.4).
- La plupart des périodiques canadiens sont peu vendus dans les kiosques à journaux et le seul autre moyen efficace d'assurer leur distribution est la poste. Si le service de distribution au foyer n'ëtait plus disponible, le tirage des périodiques canadiens diminuerait de moitié; on peut donc conclure que les services offerts par la Sociēté canadienne des postes sont d'une importancé cruciale. Les autres systèmes de livraison dont on a fait l'essai aux Etats-Unis n'ont pas donné de bons résultats (sections 3.2.2 et 3.4.1).
- Dans l'ensemble, l'industrie de l'édition des journaux est moins susceptible de subir de prējudice par suite des augmentations des tarifs postaux, étant donné que pas plus de 2 p .100 de leur tirage global ne sont distribuēs par la poste. Cependant, de 80 à 90 petits hebdomadaires ruraux et de 10 à 15 petits quotidiens pourront avoir besoin d'une aide financière permanente pour la distribution par la poste, en particulier dans le cas des abonnés habitant les rëgions rurales (section 3.1.4).

Under the Concessionary Postal Rate Subsidy Program, the Department of Communications purchases rate reductions from Canada Post for delivering certain types of mail. These include publisher's books, library books, newspapers, periodicals and educational films. In 1985-86, the Department allocated $\$ 55.1$ million to cover the subsidy, which is applied to second class mail, Almost nine tenths of this supported the mailing of newspapers (approximately 32 percent) and periodicals ( 59 percent): the rest covers publishers' books ( 8 percent), library books ( 1.5 percent) and educational films (. 05 percent).

The funds provided by DOC do not tell the whole story however. The DOC subsidy is added to a $\$ 170$ million "infrastructure payment" allocated by Canada Post to cover the costs incurred by delivering the subsidized publications. Under the terms of a 1982 Cabinet decision, this infrastructure payment is to be eliminated in the two years following April 1, 1986. In the Spring of 1985, Cabinet approved a Nielsen Task Force recommendation that the Minister of Communications, in consultation with the Treasury Board President and the Minister responsible for Canada Post, redefine the objectives of the postal program and reduce the subsidy. More information on the Program is contained in Appendix 1.

The present evaluation study was carried out by the Program Evaluation Division of the Department of Communications as part of its approved evaluation cycle of DOC's 27 program evaluation components. However, the study was given a special urgency by the need to support the creation of a federal Publishing Policy for Canada, and to provide information for use by the Minister of Communications in his discussions with Canada Post and the Minister of Finance over the future of the subsidies. A preliminary assessment of evaluation issues and options had been prepared by the Division in 1984. Seven background studies were carried out in 1985 by four consulting companies.

The following reports on individual studies are available from the Proaram Evaluation Division of DOC:

Background Study \#l: Periodical Subscribers Survey (in French, with Enalish executive summary. Original title: Réactions des abonnes de pēriodiques à une augmentation éventuelle des couts d'abonnement)

- contractor: Econosult Inc.

Background Study \#2: Periodical Advertising Study (in French, with English executive summary. Confidential case studies in separate volume. Original title: Effets d'une baisse dans le tirage des périodiques canadiens sur les revenus publicitaires en provenance des annonceurs)

- contractor: Econosult Inc.

Background Study \#3: Postal Subsidies Program: Impact on Newspapers (Confidential case studies in separate volume)

- contractor: DPA Group

Background Study \#4: The Effect of US Postai Rates on the American Periodical Industry

- contractor: Ekos Research Associates

Background Study \#5: A Study of Canadian Concessionary Postal Rate Changes and Periodicai Publishers

- contractor: Ekos Research Associates

Background Study \#6: Alternative Means of Supporting the Canadian Periodicals Publishing Industry

- contractor: Coopers \& Lybrand

Background Study \#7: The Effects of Postal Subsidy Reductions on Magazine Publishers: Examination of the US Experience

- contractor: Coopers \& Lybrand (Washington)

Based on the information collected by the above studies, this report presents a discussion of:
(1) Evaluation Issues (Chapter 1):
(2) Evaluation Approaches (Chapter 2);
(3) Evaluation Findings (Chapter 3): and
(4) Conclusions (Chadter 4).

Additional details are provided in appendices on:
(1) The objectives, activities and structure of the Postal Subsidies Program (Appendix 1);
(2) Evaluation Study Methodology (Appendix 2); and
(3) History of the Program (Appendix 3):
(4) History of US Postal Rate Changes (Appendix 4): and
(5) Related Literature (Appendix 5).

The Program Evaluation Division is grateful for the collaboration of many individuals and organizations in facilitating this study:

- The staff of the Periodicals Policy group in DOC's Cultural Affairs Sector, who contributed invaluable expertise concerning the issues and studies:
- The staff and managers of the newspapers, periodicals, advertising agencies and advertisers across Canada who participated in the case studies and surveys:
- The officers of the newspaper and periodical associations who facilitated data collection and contributed important insights concerning the evaluation issues:
- The respondents of our telephone survey of readers across the country:
- Program staff at Ethnic Press and Liaison, Secretary of State; and
- The four consulting firms who carried out the individual studies.


### 1.0 EVALUATION ISSUES

As could be expected of a program which has been in place since just after Confederation, the objectives and scope of the Program have changed considerably over the years. In terms of evaluation, this is complicated by the fact that no official statement of Program objectives has been made in recent times.

Despite the absence of formally stated objectives, a review of documents has made it possible to conclude that in subsidizing the mailing costs of certain types of published material, the Concessionary Rate Postal Subsidy Program has till now aimed at fulfilling three objectives (DOC, Evaluation Assessment):

- To encourage a more informed, better educated public;
- To encourage a financially healthier Canadian publishing industry; and
- To improve Canadian's access to Canadian cultural products

Most evaluation studies seek to identify the impact of programs by collecting and comparing data before and after their implementation, and relating this to the programs' stated objectives. In the present evaluation, the longevity of the Program makes it impossible to measure a "before" period; in any case the primary interest in undertaking the evaluation is to identify the probable effects of changes to the Program, particularly on the newspaper and periodicals industries which are its chief beneficiaries. The three principal issues identified in the Evaluation Assessment which preceded this study must therefore be seen in the context of asking what would be the impact of reducing or eliminating the subsidy. The issues are:

- What is the contribution of the Program to a more informed, better educated public?
- To what extent does the Program contribute to a financially heal thy Canadian publishing industry?
- To what extent does the Program contribute to Canadians' access to Canadian cultural products?

The evaluation findings concerning each issue are discussed in Section 3. The issues are explored individually in greater depth below.

### 1.1. What is the contribution of the Program to a more informed, better educated public?

The original ob,jective of the subsidy was to encourage a better informed and educated citizenry by increasing the availability of printed information of any sort in the widespread, sparsely populated country (Woods Gordon, page 117). The subsidy instrument is appropriate to this objective since, within broad limits, it does not discriminate on the grounds of type of information being mailed; rather, fairly objective criteria such as publication's weight, frequency of appearance and whether it is addressed or non-addressed are applied to determining what mailing rate will be granted.

In the 1870's, print was the only mass medium of information dissemination. Today however, print is only one of a number of mass media. Canadians as a group are far better educated than even fifty years ago, and have access to a wide range of educational opportunities including educational TV and correspondence courses. For the latter reason, it was judged not necessary to evaluate the educationai value of the Program. Instead, the study examines how important readers judged periodicals to be to their information needs, and the extent to which they felt they could obtain the same information el sewhere.

### 1.2 To what extent does the Program contribute to a financially healthy Canadian publishing industry?

The objective of supporting a domestic publishing industry is more recent, and was brought into focus by the 1960 Royal Cormission on Publications (The O'Leary Commission) which documented a number of problems including the high mortality rate of Canadian publications in the previous two decades, increasing concentration of ownership, and the growth of foreign penetration of the market.

Prior to the evaluation, a considerable amount of recent information concerning the health of the publishing industry was available, notably the 1984 study of periodicals by Woods Gordon and the Kent Commission's examination of the newspaper industry. However, some critical information gaps remained. In particular, it was necessary to investigate the ability of the publishing industry to absorb or recoup increased mailing costs (should the subsidy be reduced) by passing the increase either forward to readers or back to advertisers.

### 1.3 To what extent does the Program contribute to the public's access to Canadian cultural products?

In 1960, the 0 'Leary Commission proposed free mailing for "cultural" or "7ittle" magazines whose influence and value as part of our national heritage cannot be measured in economic terms alone. This concern with ensuring the availability of published material deemed to be of cultural importance is related to the financial health issue above, but approaches it from the point of view of the consumer who would like as wide a range of materials to choose from as possible.

Just what constitutes "cultural importance" is a difficult question, which can be resolved (for the purposes of this study, at least) by accepting the premise that material written and published by Canadians reflects or has the potential to reflect a Canadian sensibility different from that in foreign products, and therefore is of at least some cultural importance. This premise allows the question to be re-stated as: "Given a reduction or termination of the Postal Subsidy, what periodicals or newspapers currently available to the public would cease to be available or become harder to obtain?" Knowing what categories of publication would be in danger will allow further questions to be asked about the need to provide alternative means of support to specific categories of publication, and the cost of this support.

### 2.0 EVALUATION APPROACHES

This evaluation study of the Concessionary Postal Rate Subsidy Program was designed to address the three issues described in the preceding section. To the extent feasible, each issue was addressed from several points of view, using data collected from different sources in order to improve the validity and reliability of evaluation findings.

### 2.1 Information Needs

The study began with a review of the considerable information resources already available on the areas of interest. Missing information was identified, chiefly:

- the reading habits and needs of the periodical subscribers, with particular reference to their sensitivity to increased subscription prices and al ternative sources of information;
- the sensitivity of advertising demand to possible decreases in periodical circulation;
- the potential consequences to periodicals, financial stability under a number of scenarios involving increased postage costs and decreased advertising revenue and/or decreased subscriptions;
- the importance of the Program to newspaper industry, particularly the weekly newspapers which as a group had not been studied by the Kent Commission.

It was also judged that the experience of the United States, where postal rates increased were phased in during the 1970's, would be instructive to this evaluation as a source of comparative information.

### 2.2 Research Design

As conceived in the 1984 Evaluation Assessment, the study created a number of hypotheses concerning the effects of postal rate increases on the periodicals industry, which were to be tested in the course of the evaluation. These hypotheses are detailed in Section 3 (Findings). As regards the experience of the United States, data was required first at an aggregate, industry level and then for a sample of periodicals, both of which could be matched with comparable data in Canada. Separate treatment was required for the newspaper industry, which was known to be less dependent as a whole on mail delivery than periodicals. During the summer and fall of 1985, seven evaluation contracts were authorized to realize this research:
I. a cross-Canada telephone survey of subscribers to periodicals;
II. a study of advertising in periodicals based on interviews with national and local advertisers, and on case studies of selected periodicals;
III. a national survey of daily and weekly newspapers, augmented by case studies of those most vulnerable to postal rate changes;
IV. a study of the effects of rate increases since 1975 on a sample of US periodicals, coupled with
V. a comparative analysis of the Canadian industry over the same period:
VI. case study analysis of a range of alternative means of support to the periodicals industry;
VII. an overview study of the US experience since 1970.

References to these studies will appear in parentheses, quoting the roman numeral identifying the study and the page number for the reference. For example "V,5" refers to Study V, page 5.

Additional aspects of the evaluation design, analytic methods used and of their limitations are discussed in the Appendices and in Section 3.

### 2.3 A Special Case: the Ethnic Press

A separate category of publication which is of special interest in regards to availability of information is the ethnic press. Sources sucn as the Secretary of State's Non-Official Languages Project State in 1976 indicate the importance of the ethnic press in informing new immigrants as well as established ethnic communities, and also detail the financial difficulties which most ethnic publications experience (see also Zybala, "Problems of Survival for the Ethnic Press in Canada", 1982).

For those publications with a large proportion of circulation distributed by mail, increased postal rates would without doubt be a serious financial blow. However, the generally precarious nature of the ethnic newspapers, many of which exist only due to the unpaid work of contributors, their high mortality rate due to demographic changes in their target populations, their rich diversity in format and content, and their unique role in the Canadian mosaic, justify their being set apart from the other categories of publications covered in this evaluation. Quite simply, the issues connected with the ethnic press are too complex to be dealt with by the research design of this evaluation, and would require the close or leading participation of the Department of the Secretary of State to be covered adequately.

### 3.0 FINDINGS

### 3.1 Contribution of the Program to a more informed public

It was hypothesized that substantial increases in postal rates would:
(a) force publishers to raise subscription prices so much that many subscribers would either
(b) find the increase too expensive and stop subscribing, or,
(c) be unable to receive the publication if it went out of business or ceased distribution by mail.
(d) Such impacts would entail a significant loss in the information available to Canadians.

The various components of this hypothesis as well as an assessment of those members of the public most vulnerable to information loss are examined separately below.

### 3.1.1 Subscription Rates and Circulation Levels

Two lines of evidence suggest that for the periodicals industry as a whole, gradual annual increases to postal rates would not force subscription rates up enough to reduce readership. First, the experience of the United States, as shown both overall and in our study sample, was that total subscription circulation increased (IV, 2 and 33: VII, 5) and subscription prices remained relatively constant during the years $1975-79$ when postal rates increased in real terms (i.e. net of inflation), as well as during 1980-84 when rates decreased. A gentle dip in average circulation was registered in the study sample in the year following the $26 \%$ increase in 1978; even so, consumer and business periodicals were not affected (IV, 35). It should be noted that US publishers had two years' advance warning that rates would start rising in 1975.
Analysis of the same variables in Canada over the same period gives similar results at both aggregate and sample levels. There is no evidence that postal rate changes influenced circulation levels or subscription prices (V, p. 23 and p. 25), even following years such as 1978 when inflation-corrected postal costs increased by $13.1 \%$ and 1981 when they decreased by 12.3\%. While there are significant differences between the periodicals industries in the two countries, particularly the obvious ones of market size and foreign competition, it is judged that the factors which affect commercial (as opposed to non-profit) periodicals are similar enough in both countries to permit a useful comparison. See Exhibits 1 to 4 in this report.
in
Thousands
Average Subscription Circulation Per Issue for American Porlodical Sample, Overall and by Type, 1975-1984


Subscription


Rate Change in $+4.5+6.9+9.2+25.8+5.1+11.0-10.3-3.7-3.6 \quad-4.0$ Real Terms

Average
Cizculation


Average Subscription Cost (1981 Dollars) for Sample of Canadian Periodicals, 1975-1984


Rate Change In Real Terms

### 3.1.2 Sensitivity of Demand to Price Increases

The survey of subscribers found more resistence to the idea of increases than to a precise increase expressed in dollars. It should be noted that the survey was representative of subscribers as a group and therefore can be used to draw conclusions only about subscribers to high-circulation consumer and (to a lesser extent) trade periodicals which make up the vast majority of magazines received in households by subscription.

Almost a quarter of subscribers said initially that they wouldn't renew their subscription if the price increased. Further questioning in which increases were proposed in dollar terms found that $90 \%$ of subscribers would renew if the price rose by $10 \%$ : a $15 \%$ increase would lose $1.7 \%$ of subscribers. Acceptance drops off more rapidly with increases above $15 \%$. A $25 \%$ increase would lose one half of subscribers ( $1,2-10$ ). This finding is consistent with industry experience in that price increases will be tolerated up to a certain threshold, after which demand will drop off sharply.

### 3.1.3 Subscribers Most Sensitive to Increases

It is possible to identify in general terms those subscribers who will be most likely to undergo a loss in information because they either couldn't afford the increase or don't value the information enough to pay the extra. While the magazine subscribers as a group are weal thier and better educated than the average Canadian (I, 3-4 and 3-9), almost $20 \%$ have not completed secondary school and over $20 \%$ live in households with incomes of less than $\$ 20,000$ a year. Predictably, the willingness to accept increased prices is greater among the richer and better educated (1, 2-12).

Subscribers in rural areas were found to be more willing in principle than the average to renew their subscription if prices went up by some unspecified amount, but since they have relatively lower incomes as a group than urban subscribers ( $1,2-13$ ) the dollar amount they would accept is lower.

### 3.1.4 Availability of Information

Measured in terms of the amount of time devoted to it, print as a mass medium of communication is much less important on average than tel evision and radio. The latter two accounted for $65 \%$ of weekly time devoted to all mass media by periodicals subscribers in our survey; newspapers received $22 \%$ and periodicals 11.4\% (I, 3-21). These findings are in broad terms consistent with the 1978 Statistics Canada time budget survey of Canadians in major urban centres (see Woods Gordon, Exhibit 11.ii), except that the subscriber survey by definition results in greater weight being given to periodicals reading.

These findings address only the question of time devoted to each medium; no research was done on the quantity or quality of information received. It may be hypothesized that print is the most efficient medium in terms of these two variables, and therefore has an importance very much greater than that suggested by the time devoted to it. Certainly, the diversity of subjects covered by print, especially given the recent increase in specialty periodicals, is far greater than in any other medium.

The postal system is very important to the periodicals industry because rel atively few Canadian publications are sold on retail magazine racks (Woods Gordon, 84). In many cases, the mail system is the only way to receive certain types of information. A little over a quarter of respondents felt that they would not be able to obtain el sewhere the information provided by their magazine if it did not exist (I, 3-32). This was especially true of subscribers to trade periodicals. Subscribers who feel they cannot get the same information elsewhere are, predictably, more ready to accept an increase than those who could get the information by other means.

Other evidence collected in the evaluation (see Section 3.2 ) suggest that the periodicals industry could take moderate rate increases in stride, and in broad terms little information loss would be registered among readers of trade and consumer periodicals due to publishers withdrawing from the market.

As will be detailed later, however, weekly (and a few daily) newspapers in small communities constitute one category of publication which is particularly vulnerable to postal rate increases. It is calculated that 80 to 90 community weeklies in this category might not survive an abrupt rate increase of even $\$ 0.10$ (III, 8-4). This finding has serious implications for information availability since these newspapers provide local information not available from any other medium available to subscribers. Our case studies, which indicate that these publications have few alternative means of distribution or cutting costs, and the past experience of mail distribution of dailies (III, 4-21) suggest that a $\$ 0.10$ increase in the per copy rate could affect the availability of newspapers (particularly weeklies) to some 300,000 households, businesses or individuals.

Some rural publishers stated that increased postal rates would force them to change from a paid to a controlled circulation publication distributed by third class mail. Since there are no restrictions regarding the amount of editorial material needed to qualify for third class, it is possible that information availability might be reduced if many rural weeklies changed to controlled circulation and increased their advertising space at the expense of editorial content.

Similar worries may be expressed for low-circulation (less than 20,000 per issue) consumer periodicals with a purely regional distribution.

### 3.2 Contribution of the Program to a financially healthy Periodicals industry

It was hypothesized that substantial increases to the currently subsidized postal rates would result in the following chain of events:
(1) The increase in rates would cause publishers to attempt to recoup the increase from either:
i. readers (through raised subscription prices) or
ii. from advertisers (through raised advertising rates);
(2) The increase in subscription price would cause the loss of some readers;
(3) This decrease in readers "delivered" to advertisers would reduce the publications' value as an advertising medium with the result that advertising revenue would fall due either to reduced rates or volume;
(4) Losses either in subscriptions or in advertising revenue would threaten the financial stability of the publications.

Each component of this hypothesis is explored separately in the following sections.

### 3.2.1 Subscription Prices

The experience in the United States between 1975 and 1984 was that subscription prices increased $10 \%$ in total, net of inflation. When religious magazines, which experienced rapid increases during these years, are removed from the sample, this $10 \%$ increase is transformed into a five percent decrease (IV, 36). This indicates that in real terms readers were not forced to bear the increased cost of postage.

In Canada, there is no evidence that changes to subscription prices have been strongly related to increased postage costs, even in the high-increase years 1978 and 1979. ( $\mathrm{V}, 26$ ).

### 3.2.2 Circulation

The Canadian periodicals industry would be vastly different without the convenience to subscribers of postal delivery. Over half of subscribers surveyed indicated that if they didn't receive their magazine by mail they would read it only occasionally or not at all (I, 3-30). This underlines the crucial importance of the mail to demand for magazines, and the need to exercise extreme care in making changes to the Program. It should also be noted that experiments with alternative delivery arrangements for national magazines in the United States between 1978 and 1980 were unsuccessful, indicating that the mail remains the most efficient means of periodical distribution for subscription magazines even in urban areas (VII, 5).

As outlined in Section 3.1.2 above, demand for business and consumer periodicals is relatively inelastic up to a threshold of around ten or fifteen percent: a ten percent increase in subscription price would be accepted by $90 \%$ of subscribers. In addition to the convenience of delivery, demand depends on individual magazines' ability to deliver content which readers value and cannot obtain elsewhere: this is both an explanation for current strength of demand and a challenge which magazines must meet in order to survive - whatever happens to postal costs.

The Woods Gordon study analyzed the dependence of various categories of magazine on subscription circulation, finding that it accounted for over $90 \%$ of artistic/ literary and scholarly/educational magazines' circulation, around two thirds of general consumer periodicals, half of religious magazines, and a fifth of trade publications (Woods Gordon, Exhibit 30).

In the past ten years both in this country and the United States, demand for magazines (as measured by overail circulation levels) has increased during periods of both increases and decreases in real postal rates. In the United States, both the number of magazines and the total circulation figures have increased since 1972. Moreover, circulation by subscription (as opposed to single copy sales) accounts for six percentage points more of total sales than it did in 1972 when the postal rate increases began (VII, 5). Exhibits 5 and 6 detail circulation growth in both countries.

### 3.2.3 Advertising Rates

Almost 98\% of Canadian periodicals' advertising revenues are accounted for by trade and consumer magazines. Advertising is a much less important revenue source for the other categories of periodical, and the findings below do not for the most part apply to them. Exhibit 7 shows advertising revenue growth for Canadian periodicals since 1975.

In the US, advertising rates remained relatively stable during the period of increasing postal rates (it should be noted that due to limited data availability for other categories, the sample in this case was weighted towards publications with annual circulation over 500,000 . See IV, 39). Pressure from the entry of a number of new magazines into the market may provide the best explanation for rates remaining low (VII, table 4).

In Canada no apparent overall relationship between postal rates and advertising rates can be seen from the sample analysed since 1975 (V, 30). On the overall industry level, total net advertising revenue rose substantially from 1975 to 1984, particularly for consumer magazines (V, 6).

The increasing sophistication of modern marketing methods make it possible for some types of publications to maintain rates despite losses in total circulation. In the case of mass-circulation consumer periodicals, total circulation figures are less important than the ability to reach certain target groups (subsets) of readers. Interviews with major national advertising agencies indicate that high-circulation consumer periodicals with national or large regional distribution could maintain advertising rates in the event of drops in circulation even as high as $20 \%$ - if the advertisers' target groups of readers were not among those dropping their subscriptions (II, 5-5). As mentioned earlier, the poorer and less educated readers are the most likely to drop subscriptions in the event of price increases, while the most sought-after (i.e. weal thier) target groups would be more easily held in the event of moderate price increases.

Trade magazines, both national and regional, tend to aim at a single target group at a time, and often have less competition from other media than general consumer magazines. Since few alternative means exist for readers to obtain the information elsewhere, it is more likely that circulation will hold steady for these magazines in the face of moderate subscription increases (II, 5-10).

## EXHIBIT 5

GROWTH IN NUMBER OF U.S. MAGAZINESa/

| Year | Number of <br> Magazines | Index <br> (1972=100) |
| :--- | ---: | ---: |
| 1970 | 9,573 |  |
| $197 \dot{1972}$ | 9,657 | 105.63 |
| 1973 | 9,062 | 106.57 |
| 1974 | 9,630 | 100.00 |
| 1975 | 9,755 | 106.27 |
| 1976 | 9,657 | 107.65 |
| 1977 | 9,872 | 106.57 |
| 1978 | 9,732 | 108.94 |
| 1979 | 9,582 | 107.39 |
| 1980 | 9,719 | 105.74 |
| 1981 | 10,236 | 107.25 |
| 1982 | 10,873 | 112.96 |
| 1983 | 10,688 | 119.98 |
| 1984 | 10,952 | 117.94 |
| 1985 | 10,809 | 120.86 |
|  | 11,090 | 119.28 |
|  |  |  |

## Source: Magazine Publishers Association of America

Study VII
a/ Data refer to all Audit Bureau of Circulation magazines, including both
consumer and business publications.

## EXHIBIT 6

Total Number of Canadian Periodicals Listed in CARD by Year and Periodical Type

| 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |


| Business | 561 | 572 | 592 | 625 | 641 | 693 | 719 | 748 | 741 | 781 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Consumer | 263 | 270 | 279 | 299 | 316 | 336 | 369 | 388 | 395 | 386 |

Scholarly/

| Educational | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

Artistic/

| Literary | 12 | 12 | 14 | 17 | 23 | 22 | 25 | 26 | 29 | 22 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |


| Religious | 21 | 21 | 18 | 20 | 21 | 25 | 24 | 24 | 22 | 21 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |


| Totals | 863 | 881 | 898 | 966 | 1006 | 1081 | 1142 | 1192 | 1193 | 1216 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

## EXHIBIT 7

Total Net Advertising Revenues by Periodical Type: 1975 to 1984 (in l, 000 's)*

|  | Business | Consumer | Other | Totals |
| :--- | ---: | ---: | ---: | ---: |
| 1975 | 52,141 | 45,959 | 6,919 | 105,019 |
| 1976 | 59,280 | 43,478 | 6,467 | 109,225 |
| 1977 | 88,560 | 71,338 | 12,165 | 172,063 |
| 1978 | 92,972 | 105,168 | 12,679 | 210,819 |
| 1979 | 101,514 | 138,288 | 11,274 | 251,076 |
| 1980 | 145,491 | 166,933 | 19,191 | 331,615 |
| 1981 | 163,704 | 197,704 | 28,853 | 390,261 |
| 1982 | 158,623 | 213,004 | 8,847 | 380,474 |
| 1983 | 165,000 | 228,000 | 10,000 | 403,000 |
| 1984 | 193,000 | 255,000 | 11,000 | 459,000 |

Sources: Statistics Canada for 1975-1982
Maclean Hunter Research Bureau estimates for 1983 and 1984.

* Does not include directories, phone, city.

Study V

The category of periodical most vulnerable to losses in advertising revenue is regional consumer magazines dependent on local advertising. Overall circulation levels are important to local advertisers, who do not as a rule employ sophisticated advertising agencies. Any loss of circulation is therefore of concern to these advertisers, and might tempt them to concentrate their advertising budget on another medium, such a direct mail or newspaper inserts (II, 5-16).

### 3.2.4 Financial Stability

In the United States postal costs rose steeply for magazine publishers as a result of the subsidy reduction. However, as a percentage of publishers' total costs, postal delivery rose only from around $8.5 \%$ in the early 1970's to approximately $10 \%$ in the early 1980 's. See Exhibit 8.

A number of management, product and marketing changes were introduced over the period, which appear to have resulted in efficiency savings on the management side and higher sales of periodicals. Despite increased costs and a highly competitive environment, before-tax operating profits rose from $5.7 \%$ in 1972 to 11.3\% in 1982, indicating that revenues increased faster than costs during that period (VII, 6).

The Canadian industry is obviously not strictly comparable to that in the USA: it operates in a much smaller and linguistically fractured market, and especially in English-speaking Canada has to contend with the powerful competition of foreign periodicals. Nonetheless, financial performance of commercial periodicals in Canada has been strong (Woods Gordon, 106), with trade publications somewhat more profitable than consumer periodicals.

It should be noted that smaller commercial publishers are on average less financially healthy than large ones. As small business, most of their problems are not greatly amenable to assistance through policy (Woods Gordon, 114). Artistic/literary and educational publications in Canada are highly dependent on direct grants from the state, and therefore face a number of issues which do not confront commercial publications. Sources of revenue by category of periodical are detailed in Exhibit 9.

## EXHIBIT 8

Cost Structure of the US Industry

Cost of Material
as a Percentage of Value of Shipments Payroll

Cost of Material Postal Costs and Payroll as a as a Percentage Percentage of of Magazine

Value of Publications' Shipment Overall Costs

1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984

40
39
39
37
38
40
39
41
40
39
38
39
37

## 38

39
40
$\square-17$
$\qquad$

60
60
21
21
22
21
20
20
20
20
19
17
16
15
16
15
17
60
59
59
59
61
60
58
55
55
52
54
54
57
$60 \quad 9.17$
8.67
8.66
8.04
8.98
8.88
9.52
10.67
10.91
9.73
10.44
10.17
9.46

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

## EXHIBIT 9

## ESTIMATED SOURCES OF REVENUE FOR INDIVIDUAL PERIODICALS <br> (Percent Distribution - Horizontal)

|  | $\frac{\text { Advertising }}{6}$ | $\begin{gathered} \text { Paid } \\ \text { Circulation } \\ \hline \end{gathered}$ | Other (Subsidy, grant, etc.) | Total |
| :---: | :---: | :---: | :---: | :---: |
| Type of Periodical ${ }^{\text {a }}$ |  |  |  |  |
| Business |  |  |  |  |
| Trade, Technical, Professional | 83 | 11 | 6 | 100 |
| Agriculture | 83 | 10 | 7 | 100 |
| Business Newsletters | 5 | 95 |  | 100 |
| Consumer |  |  |  |  |
| General Consumer (Total) | 62 | 37 | 1 | 100 |
| '(Revenues less than \$1 million) | (48) | (40) | (12) | (100) |
| (Revenues greater than $\$ 1$ million) | n) (63) | (37) |  | (100) |
| TV/Radio (1) | X | $X$ | X | $X$ |
| Public Association/Advocacy | NA | NA | NA | NA |
| Scholarly/Educational | 1 | 40 | 49 | 100 |
| Artistic and Literary | 1 | 43 | 56 | 100 |
| Religious | 18 | 68 | 14 | 100 |

(1) Confidential to protect the fact that TV Guide is the only substantial partly subscription-based TV/Radio periodical. Except for TV Guide, almost all others are entirely advertising based.

Source: Woods Gordon Survey. Based on responses of 282 publications that provided financial information. (Since there was a very small selection of 'business newsletters' that replied to our survey, we have relied on industry estimates obtained in several interviews rather than the survey).
N.A.: Not Available

### 3.3 Contribution of the Program to a financially healthy Newspaper Industry

### 3.3.1 Dailies

For most of Canada's daily newspapers, postal delivery is not critical to financial stability. Most delivery is direct or by newsstand. Increased postal rates would be passed on only to a small minority of readers, with a probable loss in circulation to readers who cannot be reached by other delivery methods. In 1984, approximately $2 \%$ of all dailies' circulation was distributed by mail (III, 4-17). See Exhibit 10.

Some dependence on mail (and therefore financial vulnerability to postal rate increases) is associated with dailies in smaller centres. Of the 149 dailies benefiting from the subsidy which were identified by the study, 36 distribute more than $10 \%$ of their circulation by mail. 29 if these were located in centres with populations of less than 100,000 (11I, $4-25$ ). Of the dailies in the survey, the least profitable dailies also had the highest average postal costs. The fact that these dailies didn't change to direct delivery during the 1970's when the majority of papers did so suggests that they were and still are unable to (III, 5-8).

### 3.3.2 Weeklies

According to the Kent Commission, the number and aggregate circulation of community weeklies has grown substantially since the early i970's. However, most of the growth has been in controlled (i.e. free) distribution publications operating in urban centres also served by daily newspapers (III, 4-1.4). Controlled circulation publications are not eligible for subsidized rates under the Program and therefore do not concern this evaluation except as part of the paid newspapers' competitive environment.

The evaluation identified 535 community weekly newspapers which benefit from the postal subsidy - about half the total weeklies in Canada. The majority (93\%) of these serve communities of 20,000 or less; over two hundred distribute more than $70 \%$ of their total circulation by mail, indicating that they are highly dependent on the mail service for their distribution (III, 4-25).

The smaller rural weeklies are caught in a triple bind if postal rates increase rapidly. First, even with the current subsidy, particularly the Code 2 free category, postal costs are an average of $4 \%$ of operating costs (III, 5-6), which is similar to papers with much higher circulations and therefore far smaller per-copy costs. Financial analysis in case studies of rural weeklies indicated that a. 10 cent increase per copy would reduce gross operating profit by an average of $60 \%$ if not compensated by increased advertising or other revenue (III, 6-4). These operating profits are already highly "subsidized" by unpaid extra hours put in by low-paid staff.

EXHIBIT 10: CIRCULATION BY MAIL OF DAILY NEWSPAPERS: BY SIZE, CLASS AND SELECTED PAPERS

|  | Circulation by mail |  |  |  | Total Circulation |  |  | Mail of Total Circulation |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1984 | 1981 | 1979 | 1968 | 1984 | 1979 | 1968 | 1984 | 1979 | 1968 |
| Circulation $\mathbf{1 0 0 , 0 0 0}$ and over | 91,478 | 170,421 | 143,957 | 328,331 | 5,557,932 | 5,412,245 | 4,577,038 | 1.6 | 2.7 | 7.2 |
| Montreal Gazette | 944 | 2,140 | 2,403 | 4,678 | 209,895 | 200,732 | 136,487 | 0.5 | 1.2 | 3.4 |
| Ottawa Citizen | 500 | 700 | 642 | 3,250 | 192,287 | 126,140 | 81,288 | 0.3 | 0.5 | 4.0 |
| Globe \& Mail: Toronto | 7,976 | 42,790 | 5,018 | 10,861 | 311,142 | 275,812 | 251,598 | 2.6 | 1.8 | 4.3 |
| Edmonton Journal | 587 | 934 | 1,268 | 8,656 | 172,651 | 179,973 | 145,203 | 0.3 | 0.7 | 6.0 |
| Chronicle Herald and Mail Star: Halifax | 1,066 | 1,486 | 1,909 | 19,063 | 134,483 | 128,275 | 116,928 | 0.8 | 1.5 | 16.3 |
| Le Soleil, Ouebec | 2,236 | 3,168 | 4,060 | 29,922 | 124,631 | 130,118 | 161,748 | 2.1 | 3.1 | 18.5 |
| London Free Press | 2,868 | 3,504 | 3,481 | 18,947 | 127,877 | 132,365 | 123,382 | 2.2 | 2.6 | 15.4 |
| Calgary Herald | 600 | 1,000 | 1,251 | 4,199 | 140,768 | 132,426 | 95,695 | 0.4 | 0.9 | 4.4 |
| $\begin{aligned} & \text { Circulation } 25,000- \\ & 100,000 \end{aligned}$ | 28,891 | 41,352 | 46,299 | 117,701 | 1,206,415 | 1,225,696 | 1,015,580 | 2.4 | 3.8 | 17.5 |
| Telegraph Journal and Evening Times Globe, Saint John | 8,978 | 9,121 | 9,460 | 10,662 | 71,607 | 64,309 | 53,319 | 12.5 | 14.7 | 20.0 |
| Times and Transcript, Moncton | 1,807 | 5,617 | 5,853 | 6,279 | 44,807 | 45,029 | 32,029 | 4.0 | 13.0 | 19.6 |
| Le Devoir, Montreal | 2,982 | 5,959 | 6,851. | 18,411 | 33,210 | 43,099 | 42,123 | 9.1 | 17.0 | 43.7 |
| La Tribune, Sherbrooke | 1,645 | 2,470 | 2,882 | 6,867 | 41,059 | 41,377 | 37,724 | 4.0 | 7.0 | 18.2 |
| Circulation Under 25,000 | 41,949 | 67,228 | 68,484 | 83,611 | 117,607 | 694,764 | 561,498 | 5.9 | 9.9 | 14.9 |
| Guardian and Patriot, Charlottetown | 7,584 | 8,805 | 8,381 | 8,733 | 23,022 | 21,863 | 20,692 | 32.9 | 38.3 | 42.2 |
| Journal-Pioneer, Summerside | 3,377 | 3,858 | 4,105 | 3,827 | 11,259 | 11,413 | 7,912 | 30.1 | 36.0 | 48.4 |
| Sun Times, Owen Sound | 3,901 | 4,812 | 4,525 | 5,276 | 20,777 | 19,920 | 14,169 | 18.8 | 22.7 | 37.2 |
| Amherst Daily News | 956 | 1,089 | 992 | 1,359 | 3,547 | 3,537 | 3,877 | 26.9 | 25.2 | 35.1 |
| Sherbrooke Record | 3,442 | 4,041 | 3,781 | 4,995 | 6,455 | 7,195 | 8,823 | 53.3 | 52.7 | 56.6 |
| La Voix de l'Est Granby | 901 | 1,075 | 1,052 | 4,253 | 12,958 | 10,280 | 11,207 | 6.9 | 10.2 | 38.0 |
| Beacon Herald, Stratford | 21.3 | 308 | 303 | 3,073 | 12,894 | 12,702 | 9,831 | 1.7 | 2.4 | 31.3 |
| Simcoe Reformer | 627 | 2,618 | 2,989 | 2,686 | 9,647 | 10,314 | 7,913 | 6.5 | 29.0 | 33.3 |
| Total: All Size Classes | 162,318 | 279,001 | 258,740 | 529,643 | 7,481,954 | 7,332,705 | 6,154,116 | 2.2 | 3.5 | 8.6 |

Source: Canadian Daily Newspaper Association, based on data from the Audit Bureau of Circulation, and Canadian Advertising Rates and Data.

Second, publishers of weeklies were almost unanimous in their feeling that the increased expense could not be recouped from advertising, which accounts for over $80 \%$ of the majority of weeklies' revenues (1II, 5-5). Most would try to pass on the increased costs to readers, but close to half feel that even a $\$ 0.05$ per-copy increase ( $\$ 2.50$ increase to an annual subscription) would decrease circulation by $5 \%$ or more. Any measurable loss in circulation would threaten advertising revenue since, unlike larger newspapers or periodicals, weeklies are aimed at oniy one target group and rates are dependent on this target group being reached. In small centres there are few opportunities to find new subscribers or advertisers.

Finally rural weeklies have relatively few distribution alternatives outside of their built-up centres. Some would try to increase sales from stores or newsstands, but over a quarter indicated that they could or would not consider any alternative to mail delivery for many of their current mail customers (III, 5-8). The study of periodicals subscribers indicated that a large part of demand for subscription periodicals would disappear if not delivered by mail or some other direct means, and this may be equally true for rural newspapers.

Characteristics of the sample of daily and weekly newspapers surveyed are detailed in Exhibit 11. Due to the lack of dependence of newspapers over 100,000 circulation on the mail system for distribution, they were excluded from the sample.

| EXHIBIT 11: SUMMARY OF SELECTED AVERAGE CH WEEKLY AND DAILY NEWSPAPERS (SU CIRCULATION EXCLUDEU) | CTERISTICS EY SAMPLE | OVER 100,000 |
| :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Weeklies } \\ & (N=69) \end{aligned}$ | Dailies $(N=20)$ |
| Number of total employees | 14 | 82 |
| Regular total circulation | 4,875 | 16,770 |
| Regular total paid circulation | 3,705 | 1.5,975 |
| 2nd class mail distribution | 2,360 | 639 |
| Other mail distribution | 77 | 1,386 |
| Total mail distribution | 2,438 | 2,075 |
| \% of regular total circulation |  |  |
| - to local | 56\% | 75\% |
| - to remaining trade area | 31\% | 18\% |
| - to rest of province | 9\% | 5\% |
| - to rest of Canada | 4\% | 1\% |
| \% of regular total circulation mailed | 66\% | 13\% |
| \% of regular total paid circulation mailed | 84\% | 14\% |
| \% of mail distribution to local | 50\% | 26\% |
| - to urban centres | 23\% | 28\% |
| - to rural areas | 25\% | 45\% |
| \% of revenue from advertising | 83\% | 78\% |
| - from newspaper sales | 16\% | 22\% |
| \% of operating costs for postage | 4\% | 3\% |

3.4 Contribution of the Program to the public's access to Canadian cultural products

This section focuses on the categories of publications which might de less accessible to Canadians in the event of changes to the Program.

### 3.4.1 Periodicals

Previous evidence shows that the Canadian periodicals industry is highly dependent on Canada Post, and the fallure of experiments with new distribution systems in the US indicates that alternatives to the mail are unlikely. In many cases, the mail system is the only way to recelve a given magazine. About $20 \%$ of subscribers in the Readers Survey thought that it would be rather difficult (11.6\%) or very difficult (7.3\%) to acquire their magazine any other way (I, 3-30). This finding was even higher for trade periodicals than consumer magazines ( $28 \%$ and $29 \%$ respectively). Nonetheless, we cannot conclude that the Program itself necessarily contributes to increasing or maintaining access to the bulk of Canadian periodicals, nor that a gradual withdrawal of the subsidy would reduce access of the majority of readers to these cultural products.

The findings regarding financial heal th were mostly applicable to consumer and business publications, particularly high-circulation periodicals, which it was judged would be able to absorb gradually-imposed rate increases.
Scholarly/educational and artistic/literary publications are not, in comparison with the other categories, heavy beneficiaries of the Program. This is partly because their subscription circulation is relatively low. More important to these non-commercial periodicals is direct support from grant-giving organizations like the Canada Council.

As mentioned earlier, small-circulation consumer magazines of primarily regional distribution are most vulnerable to higher postal rates, and therefore the most likely of any category to be forced out of business by rapid increases.

### 3.4.2 Newspapers

As detailed earlier, low-circulation weekly newspapers in small communities are particularly vulnerable to postal rate increases since the code 2 free mailing privilege is integral to their operations (III, 8-1). It is calculated that 80 to 90 community weeklies in this category are dependent on low postal costs, and might not survive abrupt rate increases of even $\$ 0.10$ per copy (III, 8-4). Our case studies indicate that these publications have few alternative means of distribution, or ways of cutting costs which would not at the same time force them to change their essential character.

A few smaller dailies with a large proportion of rural readers still serviced by postal delivery are also vulnerable to increased postal rates.

### 3.5 Other Findings

A number of other relevant findings were produced by the studies. The most important of these are listed below:

- more francophone (78\%) than anglophone (56\%) subscribers agree with the government's policy of subsidizing the mailing costs of periodicals. Three out of four respondents, regardless of linguistic background, feel it would be appropriate for publishers to raise subscription prices if the subsidy were reduced or eliminated ( $1, \times 1$ ).
- in the case of periodicals (rate codes 3 and 4), it can be argued that the Program is regressive due to the fact that periodical subscribers are on average better off and better educated than the average Canadian. However, codes 1 and 2, particularly the code 2 free category, allow many Canadians in rural areas to continue to receive local news which might not otherwise be available without the subsidy.
- there is some confusion among weekly newspaper and small periodical publishers regarding eligibility for the Program. It is suggested that modifications to the Program should simplify the regulations which govern it (III, 7-7 and VI, 37).
- some publishers are concerned that Canada Post is emerging as a competitor for certain types of advertising through its distribution of flyers (III, 6-7.) See also Globe and Mail Report on Business, May 5, 1983.
- it is not known what pricing policies foreign periodicals competing in the Canadian market would follow if Canadian perıodicals raised prices to cover increased part or all of increased postal rates. It is possible that some means to counter a foreign advantage might be necessary if foreign magazines' subscription prices to Canadians did not rise with the rest of the market, and if some subscriptions substituted foreign magazines on the basis of price (VI, 44).


### 4.0 ALTERNATIVES

A number of alternatives for easing in reduction or elimination of the Program were considered. The following section begins with a discussion of the scheduled elimination of the $\$ 170$ million infrastructure payment, then discusses seven alternatives for providing bridging support to publishers during a phased reduction of the program. A final sub-section discusses the findings of the newspapers study as regards alternatives.

This report does not address alternative ongoing programs for supporting the distribution costs of the publishing industry.

### 4.1 Immediate Elimination of the Infrastructure Payment

Unless accompanied by some well-planned scheme to provide bridge funding for publishers, this alternative would incur unacceptable hardship in the industry, to those identified earlier as being most financially vulnerable to increased postal costs. Profit margins for many publishers of all categories would be wiped out at a stroke (Woods Gordon, 171).

### 4.2 Bridging Alternatives for Period of Phased-in Reductions

Seven alternatives for easing the burden on publishers should the subsidy be reduced or eliminated were considered. Three were rejected after preliminary analysis as inappropriate or too costly to implement:

- tax deduction for subscribers
- tax credit for subscribers
- refundable vouchers for subscriptions

Four more were analyzed more profoundly, and the conclusions are presented below in descending order of sultability. Greater detail on each alternative is presented in the report of Study VI.

### 4.2.1 Rebate of Distribution Expenses to the Publisher

This is the simplest alternative to administer, and would allow publishers to easily calculate the rebate and adjust their operations for financial impact. The method of calculation would be the same for all publishers, avoiding the need to analyze for variable factors such as size, tax status, etc. Publishers could file for rebate more than once during a fiscal year, reducing the carrying cost of the increased financial burden. However, the additional cost in person-years to $00 C$ of monitoring and processing this alternative is among the highest of the alternatives.

### 4.2.2 Tax Credit

The existing filing system could be used, reducing the burden on DOC of this alternative. However, the tax status of each publisher differs significantly and monitoring would be a complex task. It would also be difficult to make payments to publishers more than once a year, which could result in financial hardship to publishers, particularly those with low cash flow.

### 4.2.3 Rebate of Distribution Expense to Distributors/Discount to publishers

This alternative would be similar to the previous one in administrative burden to DOC and financial burden to publishers. However, it brings a new source of potential problems into the picture by placing demands on distributors, a group not directly affected by current government postal/ publishing policy.

### 4.2.4 Rebate to Publishers of Minimum Distribution Expenses

This is similar to the publishers' rebate, but introduces a complicating element by requiring calculation of a "benchmark" distribution cost factor for various categories of publication. While this would serve to control costs to DOC, probable conflict with industry over setting these benchmarks (as well as the delay and cost of research required to create them) make this an unattractive alternative.

### 4.3 Newspapers

The study of newspapers found that newspaper publishers as a group feel that a postal subsiciy is a better instrument than tax credits or direct grants for providing support to the publishing industry. In the case of smaller publications, revenues and profits are too low for the publication to benefit significantiy from tax credits. Most newspaper publishers reject the idea of direct grants because of nervousness about possible government interference in their operations.

The importance of the Program to newspapers is related to three factors:

- proportion of circulation mailed
- size of community in which the newspaper is located
- size of circulation

Any alternative to the present Program which aimed to focus funding on the publications with greatest need of support would have to take these factors into account in its design.

### 5.0 CONCLUSIONS

The mail is an essential part of the Canadian periodicals industry, and is also important to a segment of the newspaper industry. Without delivery by Canada Post, at a reasonable cost, the periodicals industry would be much reduced and the cultural (in its broadest sense) life of the country diminished.

Although, in the long run, the reduction and even elimination of the Program could probably be coped with by most periodical publishers, and certainly by the large majority of newspapers, rapid change would be traumatic. The American experience indicates that moderate increases over a number of years, preceded by a period in which publishers can prepare for the changes, would minimize the negative effects of rate increases.

It is recommended that a subsidy be retained for rural weekly newspapers and some dailies which distribute a significant portion of their circulation by mail to areas where no delivery alternatives are available. Additional measures to support other high-risk categories such as small-circulation regional consumer magazines should also be considered. This might include a program (possibly a joint DOC/Canada Post effort in conjunction with publishers' associations) to help publishers, particularly small ones, to get the most out of the postal system (V, 43).

A major issue regarding the Program continues to be the question of what the "true cost" of postal delivery is, and therefore what increases will be required. It is clear that Canada Post will have to increase its productivity in order not to pass on to publisher and readers the cost of inefficiencies in the current delivery system (see Study V, pp. 35-40).

It is recommended that, whatever schedule of rate increases is instituted, a rate review commission should be created to monitor the impact of changes. The publishing industry is too important to the economic and cultural life of Canada to just make changes and "let the chips fall where they may."

## APPENDICES

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## APPENDIX 1: Program Profile (Adapted from Evaluation Assessment, 1984)

### 1.1 Mandate

The authority for this program stems from a September 21, 1978 Memorandum of Agreement between the Postmaster General and the Secretary of State, whereby the responsibility for subsidizing losses incurred by allowing "publishers" rates was transferred from the Postmaster General to the Secretary of State. The memorandum was entered into pursuant to Cabinet Decision 477-77 RD/478 RD.

On August 27, 1980, under the Public Service Rearrangement and Transfer of Duties Act, responsibility for the Program was transferred with the Arts and Culture Branch from the Secretary of State to the Minister of Communications.

Program funds are granted each year under the Appropriations Act.

### 1.2 Objectives

The program objectives are:

1) To encourage a more informed, better educated public.
2) To encourage a financially healthier Canadian publishing industry.
3) To improve Canadians' access to Canadian cultural products.

### 1.3 Description

Under the program, the Department of Communications purchases rate reductions from Canada Post for delivering certain types of mail. These include publishers' books, library books, newspapers, periodicals and educational films.

Until 1978 these costs were the sole responsibility of the Post Office, but beginning in Fiscal Year 1979-80 the Secretary of State assumed responsibility for the subsidy. This transfer recognized that there were economic and cultural implications of the program which fell beyond the mandate of the Post Office.

At that time the value of the grant was derived from the Post Office's estimate of its "fully allocated cost" of delivering these types of mail.

| Year | Program | Infrastructure <br> Payment |
| :---: | :---: | :---: |
| 1979-80 | 136 | - |
| 1980-8.: | 189 | - |
| 1981-82 | 220 | - |
| 1982-83 | 220 |  |
| 1983-84 | 53 | 170 |
| 1984-85 | 55.6 | 170 |
| 1985-86 | 55.1 | 170 |
| 1986-87 | 55.1 | 100 |
| 1987-88 | 55.1 |  |

With the creation of Canada Post, responsibility for the program was transferred to the Department of Communications. At that time DOC undertook a study which compared the difference in cost between mailing at the subsidized rates and commercial rates. Based on the current volumes of mail moving in each category, the actual loss in revenue attributable to the lower rates was calculated to be closer to $\$ 50$ miliion than $\$ 220$ million. As a result Cabinet directed DOC to renegotiate the agreement with the Post office so that only the portion of subsidy representing the value to recipients ( $\$ 55$ million - the difference between commercial and preferred rates) would be paid by DOC and that the remainder ( $\$ 170$ million) called an "infrastructure payment" would be paid from other envelopes. As shown in Table 1, the infrastructure payment is scheduled to disappear in 1987-88.

The program is one of an array of assistance programs aimed at the publishing industry. For periodical publishers the Postal Subsidies Program is one of the most important, if not the most important, source of government assistance. For book publishers the program is less important but still substantial when compared to other sources of federal assistance.

A rough estimate of the distribution of the total subsidy among the various users is shown in Table 2.

Table 2 - Postal Subsidies by User Category (1)

## Category

\% of Total Subsidy Paid
Daily Newspapers ..... 18.9
Weekly Rural Newspapers ..... 13.1
Periodicals (2nd class subscription and non-subscription) ..... 39.6
Periodicals (unaddressed) ..... 10.0
Non-Canadian Periodicals (mailed in Canada) ..... 5.8
Non-Canadian Periodicals (printed in Canada) ..... 3.1
Publishers' Books ..... 7.5
Library Books ..... 1.5
Educational Films ..... 0.5100.0
(1) Estimates derived from program records.

### 1.4 Relation to the Estimates Program

The program appears as Vote 25 of Part II of the Estimates program.

### 1.5 Resources

Resources allocated to the program for Fiscal Year 1984-85 total $\$ 55.7$ million.
The program consumes about one (1) person-year of DOC time.

### 1.6 Program Activities

The program involves activities by two agencies, the Department of Communications and Canada Post Corporation. The DOC role is primarily one of policy. Its main activity is to develop or modify, in conjunction with Canada Post, rate structures and eligibility criteria for the various categories of mail that are subsidized under the program.

Once these structures are in place, the Department is responsible for monitoring the use of the program and undertaking investigations to determine its effects on the various recipients of the program.

The program involves no day-to-day administration on the part of DOC. Funds flow directly from the Consolidated Revenue Fund to Canada Post and all applications for subsidized postal rates are made directly to the Post Office. Program records are also maintained by Canada Post.

## APPENDIX 2: Methodology of the Study

The methodology of individual evaluation research contracts is detailed below. Studies VI and V.I are not discussed since their work was primarily concerned with document review.

Study I
The survey of subscribers to Canadian periodicals was carried out by telephone on a randon sample of respondents representing all parts of Canada except for the Northwest Territories. Data collection was carried out between July 15 and duly 30 , 1985, subsequent to two pretests. Twelve interviewers took part in collecting 695 completed interviews. The percentage figures calculated on the basis of the total sample ( 695 responses) are subject to a maximum sampling error of $+/-4.1 \%$ with a $95 \%$ confidence level.

The persons interviewed are representative subscribers to Canadian periodicals. Since a random selection model was used, the probaiblity of interviewing subscribers to periodicals having a wide circulation, such as Reader's Digest, Chatelaine, Maclean's and l'Actualité, is greater than that of interviewing subscribers to periodicals with limited circulation.

## Study II

Research on the impact of a drop in circulation on advertising rates and revenues of periodicals was done primarily through interviews with advertising agencies representing a sample of Canada's major national advertisers and 16 local advertisers across the country. Research on the profitability and financial stability of periodicals was carried out through ten case studies following review of existing information.

Study III
Six lines of evidence were used in this investigation:

1. Previous studies on financial and other aspects of the pubiishing industry.
2. Data from all relevant Statistics Canada Publications.
3. Personal and telephone interviews with key informants in the DOC and the industry.
4. Development of a computerized information base bringing together information from the MacLean - Hunter publication "Canadian Advertising Rates and Data (CARD)" with computer analysis from DOC which indicates by newspaper the paper's dependence on the mail and the estimated amount of the postal rate subsidy.

### 4.1 Changes in the US Legal and Regulatory Environment Affecting Postal Rates and Subsidies

Prior to establishment of the Postal Service in July 197?, postal rates for second class (periodical and newspaper) mail were set by the Congress. Congressional committees held hearings on postal rate changes proposed by the Post Office Department. The cormittee members and their staff evaluated testimony from Post Office officials, postal patrons, and Post Office competitors. The committees voted on recommended rate changes, and sent reports on rate recommendations to the full House and Senate for further deliberation and voting. Uitimately, the Congress sent legislation to the President for signature.

Prior to 1971 there were only imprecise measures of the subsidies being provided to particular mail classes. Only in the late $: 960$ 's did the Post Office Department develop a sophisticated cost ascertainment system to measure postal costs attributable to particular classes of mail. Both unit cost estimates and volume estimates were subject to red pencilling by Post Office management. It was not clear to what extent different mail classes and sub-classes were subsidized. Furthermore, in establishing postal rates, the Congress did not base them on reported attributable cost leveis.

The Postal Reorganization Act provided strict guidelines for the provision of postal subsidies. Only certain categories of mail were to continue to receive a subsidy, that is, a preferred rate below the attributable cost of handling that category of mail. Preferred rates were authorized for newspapers and magazınes intended for distribution within the county of publication and for nonprofit, classroom, agricultural, and small circulation publications. The difference between costs and rates for these categories of mail was to be funded by a Continuing Appropriation. Congress al so autnorızed a Phasing Approprıation to ease the transition from heavily subsidized rates to the new cost-based rates. The 1 atter subsidy applied at first both to regular rate second-class categories and preferred rate second-class categories. (Currently, only preferred rate categories receive a Phasing Appropriation; this will expire in fiscal Year 1986).

As Exhibit 1 shows, appropriations made by the Congress to the Postal Service specifically for second cl ass mail rate subsidies dropped from $\$ 236$ million in fiscal year 1972 to only $\$ 156$ million in fiscal year 1984. Since volume was increasing during that period, appropriations per piece were falling even faster than total appropriations. The implicit deflator for personal consumption expenditures (a broad, general price index) and the current price index increased by factors of 2.23 and 2.49 respectively over this period, so real (inflation-adjusted) appropriations per piece fell to a smail fraction of their 1972 level. In short, for most magazine publishers, subsidies went from being a key factor in moderating publishing costs in . 972 to a much less important factor in 1984.

# EXHIBIT 1 <br> TOTAL APPROPRIATIONS FOR SECOND CLASS AND CONTROLLED CIRCULATION MAILa/ (\$ miliions) 

| FISCAL YEAR | TOTAL APPROPRIATIONS |
| :---: | :---: |
| 1972 | 236.0 |
| 1973 | 252.5 |
| 1974 | 246.0 |
| 1975 | 285.3 |
| 1976 | 335.4 |
| Transition | 92.8 |
| PeriodB/ |  |
| 1977 | 349.1 |
| 1978 | 309.0 |
| 1979 | 271.0 |
| 1980 | 173.9 |
| 1981 | 164.6 |
| 1982 | 162.2 |
| 1983 | 193.8 |
| 1984 | 156.4 |

Source: U.S. Postal Service

Study VII
a/ These categories of mail include magazines of commercial publishers, magazines of nonprofit organizations, and local and national newspapers.
b/ The transition period was July-September 1976. Fiscal years since 1977 have ended in September.
5. A telephone survey of random samples of dally and community weekly newspapers dependent on the postal system. Newspapers dependent on the mail were divided into two sampling frames for dailies and community weeklies, utilizing Canada Post lists of publications eligible for second class mailing privileges under Rate Codes 1 to 4 inclusive. The daily frame included 97 publications and the weekly frame included 572 papers. The survey resulted in the completion of 89 questionnaires, 20 for dailies and 69 for community weeklies.
6. Case studies on eight community newspapers which are particularly dependent on mail distribution.

Study IV
Analysis was conducted at two levels. The available data and literature were reviewed to analyse the performance of the periodical publishing industry as a 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.

## Study V

The methodology focused on two levels of analysis. Existing information and data were reviewed to compile a drief statistical profile of the industry as a whole. Recent documentation and representations to the federal government from industry associations were also reviewed and summarised to profile industry concerns. The major part of the study methodology consisted of an analysis of a sample of 89 Canadian periodicals. The sample frame was based on the number of periodicals that both were eligible for second class mailings (approximately 2,600 ) and that appeared in the Canadian Advertising Rates and Data (CARD) directory (approximately 1,400). To increase the representation of smaller "cultural" publications that do not appear in CARD, a combination of telephone and mail survey techniques were used to contact 15 publishers of these periodicals.

The periodical sample was stratified based on a typology of five types of periodicals; consumer and general interest, business, schol arly/educational, artistic/literary and religious. The data available for the full 10 year period and used in the analysis included publication characteristics, total circulation, subscription and newsstand prices, and advertising rates. Additional information was provided by the Department and Canada Post that estimated total mailings and postal expenditures for 1982 and 1985. Most of the analysis was descriptive, relating individual variables to postal rate changes.

APPENDIX 3: History of the Program in Its Current Form
(Based on document prepared by Exos Research in January 1984)
The current system of concessionary rates was 1 argely established in the 1 ate 1960's through Bill C-116 which was introduced to the House of Commons in October 1968. The legislation provided for the following changes:

1. A $2 \Phi$ charge on each piece of mail:
2. Increases to $5 ¢$ per pound on all second class mail, and $15 ¢$ per pound on the advertising content of dailies:
3. Reclassification of second class mall into three categories:
a) Dailies - including sem-weeklies
b) Weeklies;
c) Other publications.
4. Exclusion from second class mall of:
a) Publications of co-operatives, unions, church organizations, house organs and associations - i.e., groups whose main activity was not publishing:
b) Publications with an annual suivscription rate of less than 509.
5. Discontinuation of statutory rates for sample copies of publications;
6. Further restrictions on the conditions of admissibility to statutory rates of postage;
7. Elimination of preferential statutory rates for publications devoted to science, religion and agriculture;
8. Repeal of separate postage rates for copies of publications addressed for local delivery;
9. Discontinuance of statutory rates for mailings of newspapers and periodicals by newsdealers;
10. Definition of what constitutes a "Canadian" newspaper or periodical.

The legislation was in response to three 1 mportant developments of the post-war years: the rising costs of subsidizing second class mail; the development of competing media to newspapers and periodicals handled by the Post office: and the emergence of alternative distribution systems to the Post office. During debate on the Bill, the Postmaster General outlined the two major objectives of the proposed changes:

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

The study noted that Bill C-116 was not intended to bal ance the postal budget but to control the level of subsidy. The Post Office's objective was for revenues to cover about $50 \%$ rather than $20 \%$ of the cost of service, with figures being anywhere from approximately $80 \%$ for dailies, to $13 \%$ for weeklies and $33 \%$ for magazines.

Many of the issues raised at the time the Bill was debated and the changes that were made continue to be relevant today. The publishers and some members of Parliament objected that the Post office was primarily designed to deliver first class mail and that most of its costs were fixed in relation to that service. Given that second class mail was a "by-product" of postal operations, the use should only pay the small additional costs which its delivery entails. The post Office did not accept the by-product costing theory.

The Postmaster General argued that the publishers rather than subscribers benefitted from postal subsidies because they made the profits and controlled prices. Opposition members expressed concerns about the $2 \%$ of Canadians who relied exclusively on malled newspapers for communication, and that the Bill would encourage the trend towards monopoly ownership and control of Canadian publications.

The rate increases resulting from the 1968 legislation were implemented in three stages: in April and October of 1969 and April of 1970. The impacts of the changes were as follows:

- more than 5,000 second $c l a s s$ users before 1968 were excluded from second class privileges
- the volume of second class mail fell by $20 \%$ in one year
- second class revenue as a proportion of costs rose from $20 \%$ to $34 \%$; the ratio for dailies showed the largest increase, from 12\% to 50\%
- the percentage of daily newspaper circulation sent through the mail fell from 10 to $6 \%$; the effects on the dailies were not judged to be too significant because of their limited reliance on the mail, however, a few dailies were affected in a more serious manner
- the overall effects on the weeklies were more serious, as their postal rates more than doubled; the authors concluded that the weeklies could less readily absorb the cost increases and had fewer options with respect to alternative delivery systems.

The daily newspaper publishers especially objected to the suddenness of the changes. The publishers of weeklies protested strongly to both the rate increases and the changes in free zone priveleges. In general the economically viable weeklies shifted to alternative distribution systems while the smaller ones continued to be in a poor financial position.

The reactions to the rate increases were included in a study of the demand of newspapers and periodicals for postal services. This study was conducted by Kostuck Consulting Associates and completed in 1971. The report highlighted the dependence of most publications on advertising rather than subscription revenues and that many dailies were forced to seek alternative distribution schemes after the 1968 legislation was passed. Most of the dailies did not make a profit on their postal subscriptions -- rather, mail subscribers were considered important to maintain subscription levels that were high enough to attract large scale advertising. With regard to weeklies, the Kostuck study concluded that the rate revisions were not a major factor for many because of the free zone provisions. The author expressed the view that as many as $50 \%$ of the economically marginal weeklies would fold if the free zone provisions were withdrawn. The viable weeklies, which generally cater to more densely populated urban centers, responded to the rate increase by moving away from the postal service in favor of their own distribution systems. The weaker ones remained dependent on the post office.

The rate and classification changes since Bill C-116 was enacted have largely been limited to rate increases on individual items or on an "across-the-board" basis. The latest changes occured in 1984 when all postal rates were increased by 6\%. In short, the system established by Bill C-116 is essentially in place today and is the system under review in the present set of studies.

### 4.2 Postal Rates for Periodicals

Second class mail has stringent eligibility requirements including:
(i) regular publication at least 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 coples (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-ofcounty 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. Tabular and graphic representations of the changes in second class postal rates from 1975 to 1984 are presented in Exhibits 2 and 3.

US 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.

Note: Appendix 4 was adapted from Studies IV and VII.

## EXHIBIT 2

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

| Year | $\begin{aligned} & \text { Rate* } \\ & \text { ( } \$ \text { per kg) } \end{aligned}$ | $\begin{gathered} \text { Adjusted } \\ \text { Rate }{ }^{\star \star} \\ \text { ( } ¢ \text { per } \mathrm{kg} \text { ) } \\ \hline \end{gathered}$ | Amount 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.

Study IV

Surrent and Adjustad (198i Dollars) U.S. Second Ciass


STUDY IV

APPENDIX 5: Selected Bibliography
The following works are referred to in this report:
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