

Summative Evaluation of the Publications Assistance Program

**Evaluation Services
Corporate Review Branch
Department of Canadian Heritage**

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List of Acronyms

AMPA	Alberta Magazine Publishers Association
AQEM	Association québécoise des éditeurs de magazines
BCAMP	British Columbia Association of Magazine Publishers
CCNA	Canadian Community Newspaper Association
CCA	Canada Council for the Arts
CMF	Canada Magazine Fund
CMFIS	Canada Magazine Fund Information System
CMPA	Canadian Magazine Publishers Association
CANADA POST	Canada Post Corporation
PDAP	Publications Distribution Assistance Program
GCIMS	Grants and Contributions Information Management System
NAFTA	North American Free Trade Agreement
PAP	Publications Assistance Program
PCH	Department of Canadian Heritage
SALM	Support for Arts and Literary Magazines (under CMF)
SBDSMP	Support for Business Development for Small Magazine Publishers (under CMF)
SEC	Support for Editorial Content (under CMF)
SID	Support for Industry Development (under CMF)
SODEP	Société de développement des périodiques culturels québécois

Executive Summary

This report presents the findings of the *Summative Evaluation of the Department of Canadian Heritage's Publications Assistance Program*, completed in winter, 2005.

Evaluation Background and Objectives

This evaluation covers the period from April 2000 to March 2005 and is required for renewal of the Program's Terms and Conditions in accordance with the terms of the Treasury Board Secretariat's Transfer Payment Policy. The renewal must be done by June 2005.

The objectives of the evaluation were to assess the Program's rationale and relevance, success/impacts and cost-effectiveness/alternatives.

Program Profile

Federal support for publications has existed in what is now Canada since 1849, when the *Post Office Act* stipulated that newspapers, printed pamphlets, magazines and books were entitled to lower postal rates. The current postal subsidy program, the Publications Assistance Program (PAP), is designed to provide Canadian readers with affordable access to magazines, periodicals, and small weekly community newspapers and ethnocultural publications. The subsidy offsets the cost of mailing subscription and request circulation publications through Canada Post, allowing Canadians to overcome geographic distances and to communicate through printed media.

Changes to the PAP were announced in July 2003. The changes, made within existing Terms and Conditions, were intended to target more funding to smaller publications, and to provide greater support for periodicals serving Aboriginal, ethnocultural, minority official-language communities, and newspapers serving smaller geographic communities. The changes implemented to date have included the creation of specific funding streams for ethnocultural, and small community newspapers, with revised eligibility criteria to allow the Program to be accessible to an increased number of these specific types of publications. These changes were made to strengthen the Program's alignment with the Department's cultural goal to support diversity.

Partial access to a postal subsidy through the PAP was also provided for request circulation magazines to help mitigate the loss of editorial support through the Canada Magazine Fund (CMF), which was also announced at this time.

The PAP's budget for 2004-05 was \$49.4 million and Canada Post also contributes. Approximately 1,200 periodicals and non-daily newspapers, with a combined circulation of over 209 million copies, received PAP assistance in 2004-05. This represents about 40 per cent of Canada Post's publications mail.

Methodology

The evaluation findings are based on the following lines of evidence:

- review of Publications Assistance Program documents;
- literature review;
- review of project files (n=51);
- review of program administrative data, Statistics Canada survey data and statistical data from industry sources;
- surveys of publishers, including funding recipients and non-recipients;
- key informant interviews with Canadian Heritage officials, Canada Post officials, industry observers, publishers, and association stakeholders (n=44); and
- three case studies of magazines that received PAP funding.

Limitations

Two limitations faced the evaluation: the lack of clearly stated and consistent program objectives and expected outcomes and the lack of timely statistical data on the periodical industry in Canada. The PAP's objectives, as outlined in its Terms and Conditions, differ from those outlined in its current Applicant's Guide. The Program's expected outcomes are outlined in the PAP's Results-Based Management and Accountability Framework (RMAF) and are similar to the objectives identified in the Applicant's Guide.

This evaluation was planned and designed to make use of the results of Statistics Canada's 2003-04 Periodical Publishing Survey. The release date for the results of this survey was delayed a number of times from the late fall of 2004, to early 2005 and finally until late May 2005. The survey results would have provided information on the number of periodicals in Canada and their circulation, and on financial indicators, for both titles supported by the PAP and for titles that did not receive assistance, by category of publication. The results would have helped answer evaluation questions dealing with continued need (financial viability of the industry) and with impact, namely: To what extent has the PAP maintained or increased distribution of Canadian periodicals; and To what extent has the PAP maintained or increased access by Canadians to high-quality Canadian editorial content?

These two factors combined posed major challenges for the evaluation.

Findings

The evaluation's findings are summarized below.

Relevance and Rationale

The conditions that prompted development of the Publications Assistance Program -- a relatively sparse population spread over a very large geographical area -- continue. The proximity of the United States magazine publishing industry, with the same language, a similar culture, and a

population ten times that of Canada's, speaks to a continued need for efforts to ensure Canadian content for Canadian readers and its availability across the country.

The PAP's objectives in its Terms and Conditions differ from those identified in the Applicant's Guide and imply different expected outcomes to measure success. There is no clear statement in the Program's governing documents that states the underlying rationale for the program, although the "mandate" outlined in the Applicant's Guide talks about the PAP helping Canadians build their knowledge, share their perspectives and explore cultural diversity. This, however, is more ambitious than the Program's objectives outlined in its Terms and Conditions.

Changes to the Program since 2003 have increased its alignment with departmental objectives and federal priorities, although the link with federal government priorities outlined in the Speech from the Throne's "cities and communities" commitments ("to foster cultural institutions that ... reflect a diverse and multicultural society ... and promote cultural expression ...") is implied. The PAP has been reoriented to increase access to the program for publications serving priority communities, i.e., small community, ethnocultural, Aboriginal and official-language communities and to ensure that a diverse range of Canadian content periodicals are accessible, at an affordable rate, to Canadians regardless of distance, language and diversity. Supporting Canadian periodicals by providing postal assistance is viewed by stakeholders and industry observers alike as a practical approach.

The Program's existing outcomes and logic model do not reflect changes made to the Program to reward more efficient companies, to target more funding to smaller publications and to provide greater support to publications in priority areas.

PAP's effectiveness in helping to have Canadian content delivered to Canadians is uncertain. The program's results are based on two untested assumptions. One is that Canadian writers will produce content relevant to Canadians; the Program requires that 80 per cent of the content of PAP-supported periodicals be written by Canadian citizens or permanent residents. The other assumption is that the material written by Canadians will increase readers' appreciation for and understanding of Canada.

Postal rates and other publishing costs have also risen during the study period. This suggests a continued need for PAP assistance.

Though publishers are moving toward electronic delivery methods, it will be some time, if ever, before the mailing of journals and magazines is abandoned entirely. Electronic delivery of materials may decrease the number of copies any particular magazine or journal mails out, but if current trends continue, the overall amount of mailed pieces will remain constant or possibly even increase, given the trend toward an overall proliferation of journals and research, and of emerging magazines. The number of Canadian consumer magazines also continues to expand.

Success/Impact

The evaluation assessed implementation of the July 2003 commitment to extend PAP assistance to 100 additional community newspapers and to 130 additional ethnocultural, minority official-language and aboriginal community magazines and newspapers. The evaluation found that support for community newspapers has exceeded projections with the number of supported titles

increasing from 350 before the announcement to 467 in 2003-04 and to 488 in 2004-05. This has meant that more rural Canadians are receiving news relevant to their communities.

Increases in support for ethnocultural, Aboriginal and minority official-language magazines and newspapers has been more modest with the number of titles supported increasing by 17 from 70 before the announcement to 87 in 2003-04. However, it is too early to conclude on the success of transition to this stream as support for minority official-languages and newspapers is still pending.

The result of the changes announced to the Program in 2003 has been a decreased emphasis on the industry's financial viability and competitive objectives and an increased emphasis on social policy objectives of inclusion and diversity.

The evaluation found that PAP has provided postal subsidies to approximately 40 per cent of magazines and non-daily newspapers, but increases in postal rates have reduced the benefits to publishers. Still, the program was found to have helped publishers keep periodical prices affordable and are believed to have helped them maintain positive profit margins. The absence of PAP funding appears to be correlated with declining circulation.

Findings that support the Program's success with respect to long-term goals include:

- A seven per cent increase in the number of consumer magazines available in Canada from 2002-03 to 2004-05, which represents a considerable increase compared to the change in number of titles available in the US (-1.6 per cent), the United Kingdom (-3.4 per cent) and Germany (+4.5 per cent) for a comparable period.
- According to publishers, increased competitiveness of their publications (76 per cent of respondents).

Cost-Effectiveness/Alternatives

A review of other funding programs for magazine publishers found just two other federal programs, both with purposes quite different than PAP's; there is clearly no overlap or duplication. A review of funding programs in other countries found that Canada might well rank among the top ten countries in terms of supporting its periodical publishing industry. In fact, the literature review found that some believe that Canada, thanks to a complex system of regulations and economic support, has managed to preserve its own literary culture to the point of becoming a model for other countries wishing to do the same.

The PAP is relatively efficient to administer. This is due to the fact that the PAP is a formula-driven grant program that is delivered in partnership with Canada Post. Under other possible delivery models, some of the delivery costs incurred by Canada Post might have to be incurred by the PAP.

In 2003-04, the most recent year for which complete information is available, 18 periodicals and community newspapers accounted for 48 per cent of total Canadian Heritage PAP expenditures. At the opposite end, 258 publications, i.e., 22 per cent of all PAP recipients received subsidies of less than \$1,000 and accounted for only 0.2 per cent of Canadian Heritage's PAP expenditures. Included in this group are 31 publications that received annual subsidies of less than \$100. This

raises the issue of whether it is cost-effective to support titles whose subsidy payments fall below a certain threshold. It is recognized that some flexibility might have to be extended to publications with small circulations for a set period of time that are serving priority communities to allow them to grow their circulations.

Recommendations

The following recommendations are based on the evaluation's research, findings and conclusions.

Recommendation 1: Complete the implementation of the Aboriginal and minority official-language streams that were announced in 2003.

In early 2003, changes to the PAP were announced to provide greater support to periodicals serving Aboriginal, ethnocultural, and official-language minority communities and to newspapers serving smaller communities. These funding streams were to be implemented by late October 2003. However, the Aboriginal and minority official-language streams have not yet been implemented.

Management Response: Accepted.

As part of changes to periodical programs announced in 2003, measures were introduced to the Canada Magazine Fund to preserve or enhance access for these streams in 2003-2004, and the ethnocultural stream was modified for the PAP at the same time. Since then, extensive research and consultations have been performed for creating new Aboriginal and minority official-language streams for the PAP, and new guidelines have been drafted. After a final round of consultations and review and the development of a communications plan, these measures will be presented to senior management for approval before the end of 2005-2006.

Completion date: By March 2006.

Recommendation 2: Ensure program documentation reflects program objectives, expected outcomes and performance indicators for the PAP that are consistent with and fully reflect approved Terms and Conditions.

Publications Assistance Program documents are inconsistent in their presentation of the Program's rationale, objectives and expected outcomes. The Program's 1999 Terms and Conditions speak of: wide and affordable dissemination of Canadian cultural products; ensuring weekly newspapers in small rural communities continue to be accessible to their readers; and supporting the vitality of English and French minority communities and Canada's diversity by providing distribution support to minority official-language and ethnic weekly newspapers. But the Program's 2004 Applicant's Guide only provides "reduce the cost of distributing Canadian magazines and non-daily newspapers within Canada and increase Canadian readers' access to magazines and non-daily newspapers with high levels of Canadian content" as program objectives, thus neglecting aspects of the Program's mandate. It is, therefore, not clear that publications that meet applicant guide requirements will satisfy the Program's Terms and Conditions, or achieve departmental strategic outcomes.

Management Response: Accepted.

Done. The new Terms and Conditions approved on June 6, 2005 contain revised program objectives, outcomes and performance indicators. They will be reflected in a revised applicant's guide, all program documentation, and all planning materials.

Completion date: By December 2005

Recommendation 3: Within the next 12 months, a review of publications should be completed to test whether publications being supported by the Program actually do help Canadians build their knowledge, better understand one another and develop common links.

The assumption made by the Publications Assistance Program is that editorial content written by Canadian citizens or permanent residents will achieve departmental objectives, i.e., it will help Canadians build their knowledge, better understand one another, and develop common links. To be eligible for PAP support, publications must either demonstrate or provide attestations that 80 per cent of their editorial content has been written by Canadian citizens or permanent residents. However, there is no review of the nature of the editorial content developed.

Management Response: Partially Accepted.

The Program believes that ensuring that Canadians produce the majority of editorial content is sufficient to demonstrate a strong link to Departmental objectives. There has been a longstanding view in the Department that materials produced by Canadian creators is Canadian content, and that there is value in sharing Canadian viewpoints with other Canadians, even if the subjects are international. As such, we do not accept that a review of whether the content produced by Canadians concerns Canadian subject matter will add substantially to meeting Departmental objectives. Furthermore, reviewing the actual content to determine how "Canadian" it is would be, by its nature, subjective and thus difficult to apply for program eligibility purposes. Materials produced by Canadians meets, by definition, the Departmental objective of "Canadian Content" ("promoting the creation, dissemination and preservation of diverse Canadian cultural works..."). However, the program will conduct a national reading survey on Canadian periodical reading habits. This study will look at the link between reading content produced by Canadians and having a citizenry better informed about Canada, as well as the value of having Canadian perspectives on international affairs.

Recommendation 4: Review the rationale for providing a postal subsidy to request circulation publications.

The rationale for the creation of a PAP funding stream for request circulation magazines should be examined. The creation of this funding stream, while mitigating the effect of the discontinuation of editorial support through the CMF, does not align well with the overall reorientation of the PAP, nor does it have a strong economic rationale.

Management Response: Accepted.

The rationale for this funding will be examined in detail over the next year and recommendations made to senior management and the Minister. The economic rationale will be examined in the context of data from Statistics Canada.

Completion date: Recommendations by June 2006

Recommendation 5: Review the rationale for providing small subsidies as the Department's delivery costs may significantly outweigh the benefits to subsidy recipients.

Over 20 per cent of all PAP recipients received annual subsidies of less than \$1,000 and combined, accounted for only 0.2 per cent of Canadian Heritage's PAP expenditures. The Program should determine whether it is cost-effective to continue supporting titles whose annual subsidies fall below a certain threshold.

Management Response: Accepted.

The rationale for these subsidies will be examined in detail before the end of 2005-2006. The number of these subsidies could be limited by introducing a minimum circulation threshold. However, the program will do a detailed study to examine the type of periodicals affected, and whether there is a strong correspondence to the Department's cultural objectives. Options will be tabulated including pros and cons, and presented to senior management for decision.

Completion date: Recommendations by December 2005

Recommendation 6: Improve the collection and analysis of performance information to support performance measurement and reporting.

The Statistics Canada Periodical Survey is a key source of data to measure the strength of the periodical industry in Canada but data is not available at sufficiently regular intervals to allow the survey to be effectively used by the Department for performance measurement or evaluations. More regular intervals of new survey data or other sources of performance information are required to support performance measurement and program evaluation.

Management Response: Accepted.

The program strongly agrees that accurate data on the periodical industry must be obtained in a more regular manner. The program is currently developing benchmarking that will allow us to examine key performance indicators for individual publishers. For broader information about the industry, different options are being explored, including commissioning a special run from Statistics Canada, or finding a third party who could perform such research in a credible manner.

Completion date: By March 2006

1.0 Introduction

This report presents the findings of a summative evaluation of the Department of Canadian Heritage's Publications Assistance Program (PAP), completed in the winter, 2005. It is based on research conducted by Jo-Ann Cleaver and R.A. Malatest & Associates Ltd.

1.1 Purpose of the Evaluation

To fulfil renewal requirements of Treasury Board's Policy on Transfer Payments, the Department of Canadian Heritage has undertaken a summative evaluation of its Publications Assistance Program (PAP). The evaluation assesses PAP's relevance, success, cost-effectiveness, and alternatives for the PAP. The evaluation primarily addresses fiscal years 2000-01 to 2004-05.

This report presents the PAP's evaluation findings, offers conclusions, and provides recommendations.

1.2 Structure of Report

The report is divided into several sections. Section 2.0 is a profile of the Program. Section 3.0 describes the evaluation methodology. Section 4.0 provides the findings of the evaluation. The final section, Section 5.0, includes conclusions and recommendations.

2.0 Profile of the Publications Assistance Program

The following section provides background to the PAP, as well as a detailed description of the program.

2.1 Origins and Overview of the PAP

2.1.1 Rationale for Postal Distribution Support

The Canadian periodical publishing industry allows Canadians to communicate, through printed media, within and across communities, and share their perspectives and ideas with each other. More than 2,000 Canadian magazines are available to Canadian readers, with 603 million copies of Canadian titles put into circulation each year.¹ Twelve of the top 20 most popular magazines in Canada are Canadian.²

Canada has supported the postal distribution of reading material for over 150 years, based primarily on the belief that the wide dissemination of printed material across Canada would encourage literacy and, more recently, the belief that access to reading material across a large and sparsely populated country could help create a sense of community and shared citizenship.

This premise has been explicitly supported by numerous Royal Commissions, studies and reviews, notably: the Royal Commission on Publications (1961); The Royal Commission on Government Organization (1961); the Special Senate Committee on Mass Media (1970), The Royal Commission on Newspapers (1981); and the Federal Cultural Policy Review Committee 1982.

The concept was put most simply by the report of the Royal Commission on Newspapers in 1981:

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

2.1.2 Evolution of Support³

Support for the postal distribution of periodicals in Canada has followed a path of gradual evolution, shifting in administration and focus, as changing socio-economic, legislative and demographic environments have demanded. The following are some key milestones.

1849 *The Post Office Act* establishes reduced rates for reading material.

1875 *The Postal Act*, Canadian legislation, affirms reduced rates for periodicals.

¹ 1998-1999 Statistics Canada Periodical Survey.

² Analysis of data from Audit Bureau of Circulation and CARD.

³ Mark Curfoot-Mollington, *Historical Overview of Canada's Postal Subsidy*, 2002.

- 1968 Bill C-16 amends the Post Office Act and places priority on reduced rates for Canadian magazines and newspapers; removes reduced rate for advertising material and association-based publications.
- 1978 Administration of subsidy remains with Canada Post, but the Department of the Secretary of State is made responsible for setting related policies under the Publications Distribution Assistance Program (PDAP).
- 1992 Access to support is limited to magazines and community newspapers that are paid for by readers. Publications distributed free of charge no longer have access to special postal rates.
- 1993 The Department of Canadian Heritage is established and takes over responsibilities related to PDAP.
- 1996 A Memorandum of Agreement between Canada Post and the Department of Canadian Heritage transfers responsibility for program administration and eligibility assessment to Canadian Heritage.
- 1997 World Trade Organization Appellate Body rules that the transfer of money from Canadian Heritage to Canada Post in support of Canadian publications is in contravention of the General Agreement on Trade and Tariffs (GATT) 1994.
- To comply, the Publications Assistance Program (PAP) replaces elements of the PDAP that apply to periodicals, and provides direct subsidies to Canadian publishers for the mailing of periodicals to readers and retailers.
- 2003 New funding and eligibility criteria for the PAP are announced, opening access to 100 additional community newspapers and 150 additional ethnocultural, official-language minority and Aboriginal periodicals. The new program criteria render certain titles ineligible, such as commercial newsletters. In addition, the new funding formula, designed to encourage efficient mailing practices by publishers, shifts from a fixed rate paid by the publisher (“the reference tariff”) to a percentage discount paid by the program, scaled to the volume mailed per issue of eligible publication. The changes were to be implemented by October 2003.
- PAP budget is increased from \$46.4M to \$49.4M for two fiscal years--03-04 and 2004-05--to facilitate the transition.

2.1.3 Policy Framework for Canadian Periodicals⁴

The federal policy framework for magazines and newspapers, which is a combination of funding programs and regulatory measures, is designed to allow Canadian magazine publishers to

⁴ Department of Canadian Heritage, *2004 Overview of Federal Policy Measures for Magazines and Newspapers*.

continue to produce Canadian editorial content and to compete effectively for advertising and readers. Measures for newspapers are designed to ensure the continued ownership of newspapers and to support the distribution of small community newspapers to rural Canadians.

The Canada Magazine Fund (CMF), through its “Support for Editorial Content” component, supports the production of Canadian editorial content and the PAP supports the delivery of that content to Canadian readers. CMF also supports professional development and business improvement initiatives for publishers of magazines and newspapers serving ethnocultural, aboriginal, minority official-language and small geographic communities.

Legislative and income tax measures make foreign publishers’ participation in the Canadian advertising market conditional on investment in the production of original content in their magazines.⁵

The expected results associated with the framework are:

- Canadian content for Canadian readers - a steadily increasing and diverse selection of titles available to Canadian readers.
- Level playing field for Canadian publishers - Canadian publishers can effectively compete for advertising dollars.

The framework intervenes at various stages of production and consumption of Canadian periodicals, starting at editorial content creation and ending with the delivery of periodicals to Canadian readers. The former is supported by the PAP.

2.2 Description of the PAP

2.2.1 Value and Scope

The Publications Assistance Program supports the mailing of about 1,200 Canadian magazines and community newspaper titles. In fiscal year 2004-05, over 209 million copies of these publications were mailed to Canadian subscribers and retailers with PAP support. Table 2-1 presents the number of funded titles and their circulation from 2001-01 through 2004-05.

The Program currently supports 733 magazine titles. According to the most recent data available from Statistics Canada (Periodical Publishing Survey 1998-99) there are 2,027 distinct magazines in Canada. Hence, the program supports 36 per cent of Canadian magazine titles. There are also 889 community newspapers published in Canada,⁶ of which the program currently supports 493 or 55 per cent.

⁵ *The Foreign Publishers Advertising Services Act* and regulatory measures including foreign investment guidelines for magazine publishers and Section 19 of *the Income Tax Act*.

⁶ Rural Development Institute, Brandon University, *English Language Community Newspapers*, 2002. Centre d’études sur les médias, *Small Local French Language Newspapers in Quebec*, 2002.

Table 2-1
PAP Titles Funded: 2000-01 to 2004-05

Fiscal Year		2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Periodicals	Titles	704	687	682	689	733
	Circulation	167,930,432	164,932,565	176,770,312	166,849,359	167,543,725
Newsletters	Titles	76	72	69	66	n.a.
	Circulation	1,616,176	1,747,705	1,760,379	1,631,781	n.a.
Non-daily Newspapers	Titles	481	480	464	467	493
	Circulation	45,474,996	44,260,572	43,604,342	44,123,681	41,995,348
Total	Titles	1,261	1,239	1,215	1,222*	1,226
	Circulation	215,021,604	210,940,842	222,135,033	212,604,821	209,539,073

Note: * Total titles include a few double entries due to changes in ownership or title, which require the issuance of a new PAP identification number. The net number of titles for 2003-04 is 1,199. (See Table 4-6)

Source: Publications Assistance Program

2.2.2 Objectives and Eligibility

The objectives of the PAP, as stated in the Program's 1999 Terms and Conditions are to:

- Encourage the wide and affordable dissemination of Canadian cultural products in the form of printed material by ensuring that Canadian publications are available to Canada's widely dispersed readers at comparable costs;
- Recognize the important role played by small community weekly newspapers in rural communities by ensuring that they continue to be accessible to their readers; and
- Support the vitality of the English and French minority communities and of Canada's diversity by providing distribution support to minority official-language and ethnic weekly newspapers.

However, the 2004 Applicant's Guide states that the Program's objectives are streamlined to:

- Reduce the cost of distributing Canadian magazines and non-daily newspapers within Canada; and
- Increase Canadian readers' access to magazines and no-daily newspapers with high levels of Canadian editorial content.

The 2004 Results-based Management and Accountability Framework (RMAF) for the PAP and the Canada Magazine Fund (CMF) identifies the PAP's intermediate outcome *as decreased mailing costs for Canadian magazines and non-daily newspapers*. The ultimate outcomes are *maintained or increased access to Canadian editorial content by Canadian readers and maintained or increased competitiveness of Canadian publishers*.

Current eligibility criteria limit access to the program to Canadian-owned (defined as 51 per cent Canadian) and -controlled publications with a minimum of 80 per cent Canadian-authored

editorial content. In addition, advertising content criteria must be at least 5 per cent and no more than 70 per cent and publishers must demonstrate that a majority of readers pay for or request their publications. The Program's definition of Canadian editorial content is material written by a Canadian citizen or permanent resident.

The 2004 PAP Applicant's Guide states that the mandate of the program is as follows:

“The Publications Assistance Program helps Canadians build their knowledge, share their perspectives and explore their cultural diversity by enabling Canadians in every part of Canada to have access to magazines and publications from across the country. Access to this diverse Canadian cultural content will enable Canadians to better understand each other, communicate among and within their communities, and develop the common links that will allow our society to grow in the 21st century.”

The Applicant's Guide also states that the PAP's priority is to increase access to the program for certain communities. PAP support for a variety of Canadian publications including ethnocultural, Aboriginal and minority official-language publications was to be completed by late October 2003 (but was not).

2.2.3 Component Streams

PAP component streams, each with its own funding formula and eligibility criteria, were developed after the 2003 announcement. Prior to this time, all publications were required to meet the same eligibility criteria. These component streams currently include:

- paid circulation magazines⁷;
- ethnocultural magazines and non-daily newspapers;
- non-daily community newspapers; and
- request circulation magazines⁸.

Finally, in 2004, access to a partial PAP subsidy was provided to request circulation magazines, primarily business and trade publications, in recognition of the costs associated with developing audited request circulation processes required by most business-to-business publications.

Titles must meet the general eligibility criteria and circulation requirements outlined in Table 2-2.

Since the fall of 2003, PAP recipients must reapply for funding ever three years and submit annual attestations of continued or changed eligibility.

⁷ Paid circulation refers to a magazine or non-daily newspaper's total copies sold over a 12-month publishing period through subscriptions, single copy sales and newsstand sales.

⁸ Request circulation refers to copies of a publication that are individually addressed to recipients who have provided a signed, written, or verified telephone request for publication.

Table 2-2
PAP Eligibility Criteria and Circulation Requirements

General Eligibility Criteria
<ul style="list-style-type: none"> • Magazines or non-daily newspapers must be owned or controlled by Canadians and have been in operation for one full year prior to applying; • Must be edited, designed, assembled, published and printed in Canada; • Must have completed an uninterrupted twelve-month publishing cycle and have been in operation for a complete financial year prior to the application; • At least five per cent and no more than 70 per cent of the total space may be devoted to advertising. Advertising contained in inserts will not be counted toward a non-daily community newspaper’s advertising space. Subsidy amounts will be applied only to the cost of mailing the first 200 grams of any issue; • Must contain an average of at least 80 per cent Canadian-authored editorial content; and • Must be published at a minimum of 2 to a maximum of 56 times per year, including special issues.
General Circulation Requirements
<ul style="list-style-type: none"> • <i>Paid circulation</i>: an eligible paid circulation publication must have at least 50 per cent of its total circulation costing of paid circulation to bona fide subscribers, single-copy sales and newsstand sales; and • <i>Request circulation</i>: an eligible “request” circulation publication must have at least 50 per cent of its total circulation consisting of request circulation.
Exceptions
<ul style="list-style-type: none"> • <i>Non-daily community newspapers</i>: must be published no less than <u>12</u> times and no more than 56 times a year, including special issues. • <i>Ethnocultural magazines or non-daily newspapers</i>: must contain <u>content relevant to Canadian readers</u>.

Source: Publications Assistance Program Applicants Guide 2004.

2.2.4 Funding Model

Beginning in April 2004, the PAP switched from a “reference tariff” model, which used a set, subsidized postal rate, to a “percentage funding” model, where funding is by formula and calculated as a percentage of total mailing costs. Percentages range from 13 to 72 per cent and are assigned according to publication type and circulation. Funding levels are lowest for request circulation magazines (from 13 to 33 per cent) and highest for magazines and community newspapers with per-issue circulation of less than 5,000 copies (72 per cent). The level of support declines as per-issue circulation rises.

Funding is volume-driven (i.e., the more copies mailed, the more total funding a publication will receive). Each time eligible publishers mail a registered publication they are charged the full cost through their deposit account at Canada Post, and subsidy payments are made by the Department

of Canadian Heritage through the PAP to the publisher's account. In fiscal year 2003-04, total funding amounts per publication ranged from \$27 to \$2.85 million. However, a significant majority of funding amounts were under \$15,000 (844 of 1,211 titles or 70 per cent), including 22 per cent that received less than \$1,000.

2.3 Partnership with Canada Post

The Publications Assistance Program is administered in partnership with the Canada Post Corporation. A Memorandum of Agreement (MOA) between Canada Post and the Department of Canadian Heritage sets forth administrative responsibilities and the level of subsidy to be contributed by each party.

In short:

- Canadian Heritage receives all new applications from publishers for new titles and re-applications from publishers for existing titles every three years.
- Canadian Heritage determines eligibility and subsidy categories for each publication, informs Canada Post each month of all publications found to be eligible or ineligible for PAP assistance and informs applicants of decisions and of any action required by the publisher to access the PAP.
- Canadian Heritage ensures applicants' eligibility in years two and three by requiring annual attestations.
- Canada Post implements all registration and de-registration decisions made by Canadian Heritage.
- Upon receipt of an Agreement Activation Form and an Agreement Activation Form – Publications Mail supplement from a publisher, Canada Post sets up a Deposit Account and a Registration Number for eligible publications.
- Canada Post accepts all eligible copies or bundles of unaddressed copies of publications for distribution to Canadian addresses.
- Publisher mailing volume and costs are processed by Canada Post using authorized Statements of Mailing, which include the number of copies mailed, weight, the number of pieces of mail eligible for PAP subsidy and the publication's Registration Number.
- Based on information provided in the Statements of Mailing, Canada Post calculates the full cost of the mailing, and this amount is charged to the publisher's Deposit Account. The PAP subsidy amount is also calculated and forwarded to Canadian Heritage by Canada Post.

- After approval by Canadian Heritage, Canada Post, acting as Canadian Heritage's legal agent, transfers the PAP subsidy amount from the Publishers Clearing Account (PCA) into the publishers' Deposit Accounts.
- On the first business day of each quarter, Canadian Heritage and Canada Post deposit subsidy funds into the PCA. During the first three quarters, the amount deposited is sufficient to cover the mailings that can be reasonably expected that quarter based on previous mailing trends, with Canada Post's portion being 33.3 per cent of Canadian Heritage's deposit. The final quarter's deposits are jointly determined by Canadian Heritage and Canada Post based on past usage and year-end forecasts.
- Canada Post provides monthly summary reports to Canadian Heritage on mailing activity of each eligible publication by Registration Number.
- The actual amounts of the subsidies paid each fiscal year by Canadian Heritage for eligible copies and/or bundles of unaddressed copies of eligible periodicals will vary each year due to volumes.
- Canadian Heritage ensures that its total assistance awarded does not exceed the PAP's ceiling (i.e., \$49.4 million in 2004-05) by managing the eligibility conditions for the PAP and/or implementing appropriate decreases in Canadian Heritage's subsidy percentages.

2.4 Governance

The Publications Assistance Program is managed by the Publishing Policy and Programs Branch of the Cultural Affairs Sector. This Branch houses Periodical Publishing Policy and Programs Directorate. The Directorate includes managers of the PAP, CMF, Research and Planning, and Policy. These managers report to the director, who in turn reports to the Director General.

The Publishing Policy and Programs Branch is accountable for the design, management and results of the PAP and the CMF. It also conducts research and develops policy related to the Canadian magazine and periodical industries and provides information or advice to industry and the federal government on industry issues.

2.5 Program Resources

Table 2-3 shows actual Program budgets and expenditures for fiscal years 2000-01 to 2004-05. As of December 2004, 17 PCH employees worked on the Publications Assistance Program in the Publishing Policy and Programs Branch. This number includes seven staff members who are also involved with delivery of the Canada Magazine Fund, including the Director, Periodical Policy and Programs, an administrative assistant plus three policy and two planning/coordination employees.

Table 2-3
PAP Budget and Expenditures (\$ Millions)

	2000-01	2001-02 ¹	2002-03	2003-04	2004-05 ²
PAP Budget	\$46.40	\$46.40	\$45.50	\$49.40	\$49.40
PAP Expenditures	\$41.80	\$39.90	\$45.50	\$47.50	\$48.00
Salaries – PAP staff	\$0.70	\$0.49	\$0.47	\$0.55	\$0.56
Salary - Director & Policy Staff ³	-	\$0.18	\$0.19	\$0.25	\$0.23
Total Salary	\$0.70	\$0.67	\$0.66	\$0.80	\$0.79
Other O & M - PAP	\$0.15	\$0.11	\$0.30	\$0.40	\$0.28
Other O & M – Director & Policy Staff ⁴	-	\$0.04	\$0.08	\$0.12	\$0.09
Total Other O & M	\$0.15	\$0.15	\$0.38	\$0.52	\$0.37
Total Salary and Other O & M	\$0.85	\$0.82	\$1.04	\$1.32	\$1.16
Total Expenditures and O&M	\$42.65	\$40.72	\$46.54	\$48.82	\$49.16
Notes:					
1. Director's office created mid-year.					
2. Budget					
3. Includes one-half of salary for PAP responsibilities; the other half allocated to CMF responsibilities.					
4. Includes one-half of other O & M for PAP; the other half allocated to CMF responsibilities.					

Source: Publications Assistance Program

Canada Post has also contributed funds to the PAP since 1999. Previously, Canadian Heritage negotiated lower than commercial rates with Canada Post.

3.0 Methodology

Two contractors, Jo-Ann Cleaver and R.A. Malatest and Associates Ltd. conducted research for this project. Jo-Ann Cleaver completed a literature review and R.A. Malatest & Associates Ltd. undertook a document review, a review of project files, a data analysis, publisher's surveys, key informant interviews and case studies.

3.1 Evaluation Questions

Evaluation questions have been drawn from a joint evaluation framework for two Department of Canadian Heritage Programs that support magazines: the Publications Assistance Program and the Canada Magazine Fund.

Rationale and Relevance

- Are the Program's mandate and objectives consistent with current departmental objectives and federal priorities?
- Is there still a need for government support for distribution of periodicals to Canadian readers?

Results

- What has been the impact of new funding and eligibility criteria?
- To what extent has the PAP:
 - Decreased mailing costs for Canadian magazines and non-daily newspapers?
 - Maintained or increased distribution of Canadian magazines and periodicals?
 - Maintained or increased access by Canadians to high-quality Canadian editorial content?

Cost-effectiveness/Alternatives

- Does the PAP duplicate or work at cross-purposes with any other program that supports Canadian periodicals?
- Are there more effective ways of achieving the PAP's objectives?

3.2 Lines of Inquiry

Research by Jo-Ann Cleaver and R.A. Malatest & Associates covered both the Publications Assistance Program and the Canada Magazine Fund. Findings relating to the PAP are presented

in this report; findings relating to the CMF will be presented in a separate report. The research methodology was as follows:

Literature Review

The focus of the literature review was on continued need for the PAP, its impacts and support for periodicals in other countries.

The contractor used the Internet extensively, focusing on information published in the preceding five years. She used database information retrieval services, a newspaper clipping service to find relevant articles published in Canadian and US newspapers, provincial and federal government web sites, international websites, and publications provided by the department. A literature review report was prepared and its findings included in this report.

Document Review

A document review was conducted in 2004-05. Documents reviewed included governing documents, PAP Terms and Conditions, program guidelines and applicant guidelines, reports on research conducted by the Department, industry research, and trade magazines. A document review report was prepared and its findings included in this report.

Review of Project Files

Program files for 51 PAP funding awards between 2000-01 and 2003-04 were reviewed to assess program administration.

Data Analysis

Data on Canadian periodicals from a number of industry sources was reviewed, as well as results of Statistics Canada's 1998-99 Periodical Publishing in Canada survey. Results of this research have been included in the evaluation report.

Publishers' Surveys

Four surveys were conducted:

- A survey of publishers who had applied for but did not receive CMF Support for Editorial Content funding, including those receiving PAP assistance (n=57);
- A survey of publishers whose PAP funding had been discontinued (n=79);
- A survey of publishers who had received CMF Support for Editorial Content, including those also receiving PAP assistance (n=164); and
- A survey of publishers who had received CMF Support for Business Development for Small Magazine, including those also receiving PAP assistance (n=85).

Survey samples were drawn from Program administrative data. Where a publisher produced more than one magazine, one publication was randomly selected, and the publisher asked to frame responses with reference to this publication.

Surveys in the official-language of publications were mailed and followed by telephone calls. Survey packages included an introductory letter from the Department. Respondents were given the option of returning completed surveys by mail or fax, or providing their responses by telephone.

A total of 385 completed surveys were received, for an overall response rate of 46 per cent. A review of survey data indicates that the sample was representative of the Canadian periodical industry. Characteristics of survey data were similar to characteristics of data from the 1998-99 Statistics Canada Canadian Periodical Survey. The findings of this research are included in this report.

Key Informant Interviews

Key informant interviews were conducted with 44 individuals who were familiar with the PAP specifically or the periodicals industry generally:

- Industry association representatives (n=9);
- Publishers (n=26);
- Industry observers (n=4);
- Canada Post representatives (n=2);
- Department of Canadian Heritage representatives (n=3);

Interviewees were identified by the Department. Publishers included publishers of magazines supported and not supported by the PAP. Potential interviewees received a letter from the Department prior to telephone contact. Most interviews were conducted by telephone; a small number were in-person. The findings of this research are included in this report.

Case Studies

Three case studies were conducted with magazines that received PAP funding: one with a large, English-language general consumer magazine, one with an English-language special interest consumer magazine, and one with a small, special-interest French-language magazine. Case study research consisted of interviews and reviews of files, documents and administrative data in order to profile how PAP funding had been used and to examine impacts of funding. The findings of this research were taken into account in the development of this report.

3.3 Limitations of the Evaluation

The evaluation faced two major constraints, a lack of clear objectives and expected outcomes and the lack of timely statistical data on periodicals in Canada. While the PAP's Terms and Conditions contain program objectives, neither they nor other governing program documents clearly state the expected outcomes of the Program nor why it is necessary for the government to support the distribution of periodicals, in particular in the Program's new funding streams.

Second, this evaluation was planned and designed to include the results of Statistics Canada's 2003-04 Periodical Publishing Survey. The publishing date for the results of this survey has been delayed a number of times from the late fall of 2004, to early 2005 and finally until late May 2005. The results of the survey would have provided information on the number of periodicals in Canada and their related circulation by category of publication for both titles supported by the PAP and for titles that did not receive assistance, by category of publication. The survey would also have provided information on financial indicators for the two groups, including revenues and expenses and profit (loss). The results would have helped answer evaluation questions dealing with continued need (financial viability of the industry) and with impact, namely: To what extent has the PAP maintained or increased distribution of Canadian magazines and periodicals; and To what extent has the PAP maintained or increased access by Canadians to high-quality Canadian editorial content?

4.0 Findings

4.1 Rationale and Relevance

The evaluation asked two questions relating to the PAP's rationale and relevance:

- Are the program's mandate and objectives consistent with current departmental objectives and federal priorities?
- Is there still a need for government support for distribution of periodicals to Canadian readers?

4.1.1 Clarity of the PAP's Objectives and Outcomes

The objectives of the PAP, as stated in its Terms and Conditions, i.e., to “encourage the wide and affordable dissemination of Canadian cultural...printed material by ensuring that Canadian publications are available to Canada's dispersed readers at comparable costs, “to recognize the role played by small community weekly newspapers in rural communities” and to “support the vitality of English and French minority communities and of Canada's diversity by providing distribution support to minority official-language and ethnic weekly newspapers” differ from what is found in the Applicant's Guide, i.e., “to reduce the cost of distributing Canadian magazines and non-daily newspapers within Canada” and to “increase Canadian reader's access to magazines and non-daily newspapers with high levels of Canadian editorial content.”

The mandate for the PAP, as stated in the PAP's Applicant's guide, is to “help Canadians build their knowledge, share their perspectives and explore their cultural diversity” and that “access to this diverse Canadian content will enable Canadians to better understand each other, communicate along and within their communities, and develop the common links that will allow our society to grow in the 21st century.”

The changes to the Program announced in 2003 are accommodated by the Program's objectives. However, there are no outcomes that address the PAP's objectives related to small community weekly newspapers in rural communities, and minority official-language and ethnic weekly newspapers.

4.1.2 Alignment with Departmental Objectives and Federal Priorities

The Department's Program Activity Architecture literature⁹ makes a clear link between the first of two departmental objectives – “Canadians express and share their diverse cultural experiences with each other and the world” – and the Publications Assistance Program.

⁹ Department of Canadian Heritage's Program Activity Architecture, Strategic Outcomes and Results Chain, undated, pages 59 and 63.

The PAA description says Canadian Heritage's arts and cultural programs permit continued production of Canadian works, widespread appreciation of the richness of Canadian culture, and sustainable revenues for cultural organization, thereby contributing to Canadians' access to and participation in Canada's cultural life. The Publications Assistance Program ensures that a diverse range of Canadian-content periodicals are accessible, at an affordable rate, to Canadians regardless of challenges such as distance, language, and ethnocultural diversity. The expected result is that Canadian readers have a maintained or increased access to Canadian editorial content.

This alignment was strengthened by the 2003 program reorientation that increased access to the PAP distribution support by rural, ethnocultural, Aboriginal and official-language minority periodicals.

The PAA's description is predicated on two assumptions, neither of which has been tested by program staff. One is that content authored by Canadians will be relevant to Canadians. The other is that Canadian content, i.e., writings of Canadian authors, will increase readers' appreciation of the richness of Canadian culture.

The introduction of funding for request circulation periodicals that, prior to 2004, were not eligible for assistance, does not align well with the Department's cultural objectives. Arguably, business and trade publications fulfil a primarily economic rather than cultural need. As well, request publications do not compete for readers like paid circulation publications and have shown a higher level of profitability than consumer periodicals. According to the 1998-99 Statistics Canada Periodical Publishing Survey, business or trade publications, which are primarily request circulation publication, overall demonstrated a 15 per cent profit, compared to seven and eight per cent for specialty and general consumer periodicals.

Alignment with Federal Priorities

There is an implied link between the PAP's objectives and federal priorities.

In the most recent Speech from the Throne, to help cities and communities, the government made a commitment to "foster cultural institutions and policies that aspire to excellence, reflect a diverse and multicultural society, respond to the new challenges of globalization and the digital economy, and promote diversity of views and cultural expression at home and abroad."¹⁰

Like the PAA link, this linkage has been strengthened by the 2003 program reorientation to better meet the needs of community newspapers, aboriginal, ethnocultural and minority official-language periodicals and the announcement of a \$3 million per year program budget increase for 2003-04 and 2004-05 to cover additional costs while funding to lesser priority periodicals is being phased out and funding to new priorities introduced.¹¹

¹⁰ Governor General of Canada, "Speech from the Throne," October 5, 2004, p11.

¹¹ Department of Canadian Heritage Press Release, "Minister Copps Announces Additional Aid for Ethnocultural, Official-language Minority, and Aboriginal Community Newspapers and Periodicals," June 27, 2003.

4.1.3 Need for Support

Recipients of Publications Assistance Program funding range from national Canadian publications like *Chatelaine Magazine*, *Les Affaires*, and *Canadian Geographic*, to limited-circulation, newspapers and magazines like the *Dunhill Business & Employment Law News*, *Elk Valley Miner*, *Le courrier de Malartic*, and *Apeiron: A Journal for Ancient Philosophy and Science*, and *Études littéraires*.

For Canadian publications, the conditions that prompted the development of the PAP – a relatively sparse population and a large geographic area – remain unchanged. No evidence was found that the need for the PAP has diminished.

Though publishers are moving toward electronic delivery methods, the document review found that it will be some time, if ever, before the mailing of journals and magazines is abandoned entirely. Electronic delivery of materials may decrease the number of copies any particular magazine or journal mails out, but if current trends continue, the overall number of mailed pieces will remain constant or possibly even increase, given the trend toward an overall proliferation of journals and research, and of emerging magazines.

There are three factors that contribute to need: first, Canada's proximity to a much larger, culturally-similar marketplace; second, evidence that the marketplace benefits from that proximity in ways that disadvantage Canadian producers; and third, underlying demographic and situational factors.

Proximity

Certain characteristics of Canadian culture render Canada particularly sensitive to the cultural influence of the United States. Principal among these is language. Since 70 per cent of the Canadian population speaks English, the export of US mass culture is not mediated for Canadians by an intervening language. Consequently, no translation is required and US producers face no great expense in getting their products to Canadian consumers.¹²

The fact that Canada is situated so close to “the world's largest and most powerful economy” dramatically increases the level of competition for Canada's publishing industries, thus indicating a continuing need for support.¹³

Benefits to the US Magazine Industry of that Proximity

Canada is the largest export market for US magazines. In contrast, Canada exports only one per cent of its magazine circulation, and most of our exports are concentrated in niche publications.¹⁴

¹² FIPP. “Canada: Focus – North America” Consumer FIPP commentary by Magazine Publishers of America., 2002a. <http://fipp.com/979>

¹³ Matheny, Richard L., III. “In the Wake of the Flood: ‘Like Products’ and Cultural Products After the World Trade Organization's Decision in Canada. Certain Measures Concerning Periodicals.” Pittsburgh: *University of Pennsylvania Law Review*, 1998

¹⁴ PCH. Draft of “Assessment 2000-2003: Canada Magazine Fund: Support for Business Development for Small Magazine Publishers.” 2004.

US magazines account for 50 per cent of magazine sales in Canada.¹⁵ Subscription sales account for a larger percentage of Canadian magazine sales, which is how US magazines can dominate newsstand space while still only accounting for 50 per cent of overall magazine sales in Canada. According to the Industry Profile segment of a Draft Assessment prepared by the Department of Canadian Heritage in 2004, 50.3 per cent of all Canadian magazine copies are paid subscriptions, while only 12.5 per cent are sold as single newsstand copies; 37 per cent of copies are delivered free (controlled) to selected businesses and households.

Underlying Demographic and Situational Factors

Demographic factors facilitate US cultural influence. Eighty per cent of the Canadian population is clustered within 100 kilometres of the US border. This boundary is weakening given the liberalized trade agreements stemming from NAFTA.¹⁶

Historically, US magazines have dominated the Canadian marketplace, dating back to the second quarter of the twentieth century. In 1925, there were four US magazines with Canadian circulations exceeding Maclean's, then and now the leading Canadian-produced publication. At that time, the US-produced *Saturday Evening Post* could truthfully promote itself as "Canada's best-selling magazine."¹⁷

The above statements indicate that Canadian magazines are threatened by the proximity of the US industry and assistance directed toward raising Canadian magazines' ability to compete is important. Gordon Graham, editor of *Logos Journal*, noted that Canada's situation is not unique. Other examples cited in his article include Scotland feeling overshadowed by Britain, Norway by Sweden, Austria by German, New Zealand by Australia, and Taiwanese publishers feeling both threatened by and excluded from the Chinese market.¹⁸

Impacts on Canadian Magazine Publishers

Foreign magazine titles occupy about 90 per cent of Canadian newsstand space and enjoy the vast economies of scale involved in producing almost anything in the US. Canadian magazine publishers fear that American producers will dump cheap copies in Canada while Canadian magazines absorb the heavy cost of delivery to a relatively small market across Canada's vast geography.¹⁹

Newsstand presence is a key marketing and promotion feature, one of the most effective ways to increase market share. Without it, more expensive marketing methods must be used.

Research indicates that Canadian magazines have a limited newsstand presence and weak newsstand sales in Canada compared to foreign, especially American, titles. A 2003 study found

¹⁵ <http://fipp.com/979>

¹⁶ Matheny, 1998.

¹⁷ Ibid.

¹⁸ [http://www.honco.net/ge/logos/index_0206.html]

¹⁹ CMPA spokesperson, quoted in FIPP, 2002.

that Canadian magazines accounted for just 10 to 15 per cent of total retail magazine sales in Canada.²⁰ (American competition is less of a threat in Quebec, because of language).

Industry representatives said that Canadian publishers do not focus on newsstand sales partly because of American titles' historic dominance of the newsstands and partly because it can be cost-prohibitive for Canadian magazines to increase print runs and incur costs associated with unsold copies. American subscription copies are priced less competitively than single-copy sales, encouraging Canadian publishers to concentrate on subscription sales. Also, many newsstands charge a fee for newsstand space, which is prohibitive for Canadian publishers.

A 2002 study for the Canadian Magazine Publishers Association indicates that American magazines are significantly discounted at the newsstand and that many titles sell for less in Canada than in their home market. It found that “the top 80 US titles circulating in Canada sold single copies for 15.5 per cent less in Canada than in the United States, on average, and some titles discounted their newsstand copies by as much as 36 per cent.”²¹

A 2004 comparison of U.S. and Canadian periodicals found that U.S. periodicals had been able to increase their prices by 36 per cent in the U.S. market from 2000 to 2004, compared to Canadian price increases of 16 per cent for the same period.²²

Opposing Views

Arguments are made in print against generalized subsidy programs as being counter-productive for various reasons (see the US Postal Comparison segment in Appendix C for general arguments), and specifically against the PAP and CMF programs. Christopher Maule argues against government support of the industry because he believes subsidies and tax incentives have certain perverse effects: applicants fake claims; tax incentives are used to support foreign productions that use Canadian inputs but do not produce Canadian content (the telling of Canadian stories); and subsidies are given to productions that have no relation to culture (as in the case of the PAP subsidy for Canadian magazines, many of which he claims are trade papers).²³

After stating he had refused government cheques for \$240,000 from the CMF and \$120,000 in postal assistance from the PAP, Terry O'Neill of *Citizens' Centre Report* said the *Report* had changed from a private, for-profit publishing company to a non-profit organization promoting individual responsibility and smaller government. He said that lower taxes for everyone would help Canadian magazines more than the present “costly and inefficient” system of high taxes and selective assistance.²⁴ It should be noted that this statement was made in April 2003 and that the *Report* went out of business in June 2003.²⁵

²⁰ Taking Back the Rack: Amid New Challenges, Canadian Magazines Compete for Visibility on the Newsstands. Abacus Circulation, 2003, p5.

²¹ CMPA, 2002: 13

²² U.S. Periodical Prices – 2004. Brenda Dingley for the U.S. Periodical Price Index. *Canadian Statistics from Statistics Canada*, CANSIM Table 326-0001.

²³ Maule, 2003

²⁴ Hiebert, 2003

²⁵ Globe and Mail, page R3, June 25th, 2003.

Low Profitability of Most Magazines

Periodical survey data from Statistics Canada for 1998-99, the most recent available, showed that 37 per cent of publications operated at a loss. The average profit was 10 per cent for Canadian periodicals. Business/trade, farm and scholarly publications were most profitable, with profit rates between 14 and 16 per cent. General consumer, special interest consumer, and religious publications, which represent a little more than half of total industry titles, had eight, seven and six per cent profit rates, respectively.

The Alberta Magazine Publishers' Association published a *Periodical Industry Profile* in 2003 indicating that Alberta magazines, on average, operate at a loss.²⁶

Seventy-five per cent of the total number of Canadian Magazines are “small magazines” that have a circulation of between 250 and 20,000 copies, operating with, on average, 2.5 full-time employees, one part-time employee, and volunteers.²⁷

Postal Rate Increases

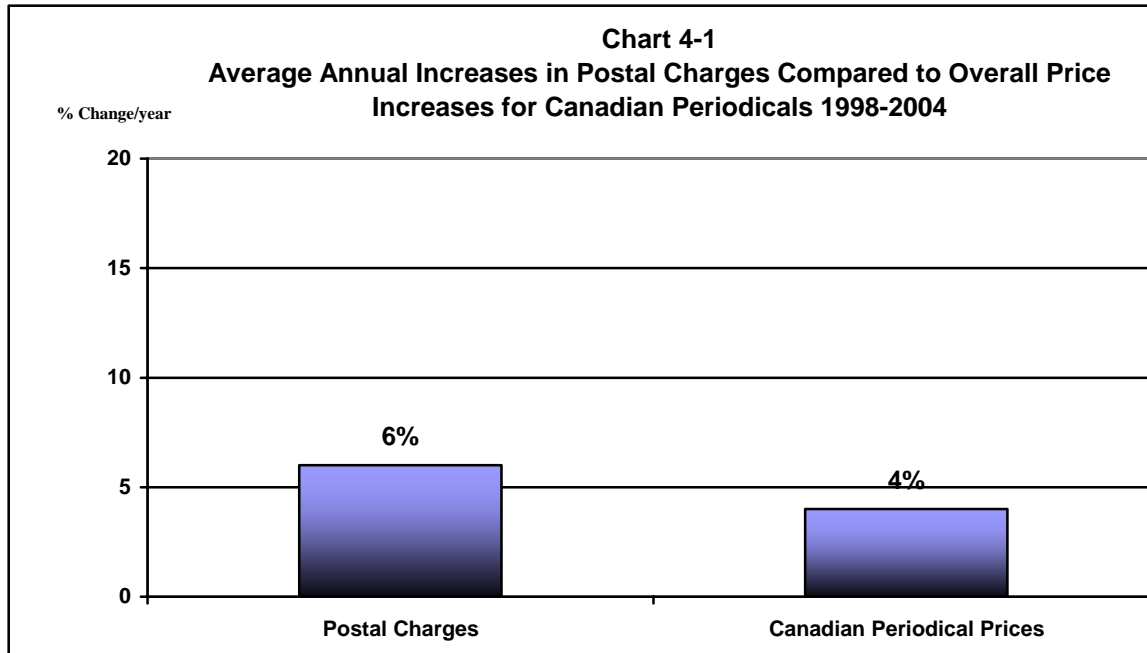
Increasing postage costs have been a challenge for Canadian periodicals because of their reliance on subscription sales. Data compiled by Statistics Canada suggests that in 1998-99, distribution costs (which include postage costs), represented seven per cent of total industry expenditures. Industry distribution expenditures (\$83 million in 1998-99) approached expenditures for marketing and promotion (\$109 million) and advertising sales (\$130 million).

Canada Post has increased its rates for all categories of publications mail. Increases from 1998 to 2004 ranged from 28 to 95 per cent, depending on weight. A recent analysis by the publications industry indicated that smaller circulation magazines (i.e., fewer than 10,000 copies) paid 17 cents more to mail each copy in 2004 than in 1998 and that increases during the period averaged six per cent per year for most magazines.²⁸ Postal increases have outpaced increases in periodical prices, as shown in Chart 4-1.

²⁶ AMPA, 2003: 4.

²⁷ PCH: Draft, 2004.

²⁸ Michael J. Fox, *Publications Mail Analysis*, May 2004.



Source: . Michael J. Fox, *Publications Mail Analysis*, May 2004, and Statistics Canada CANSIM Table 326-001

Other Relevance and Rationale Considerations

Although there are other funding programs for magazines, none was found that contributes to distribution costs.

The Canada Magazine Fund has four components: one for content development (Support for Editorial Content); one to increase circulation, advertising revenue, operational efficiencies in small magazines and/or for professional development (Support for Business Development for Small Magazine Publishers); one for initiatives in marketing, research, promotion, training and professional development (Support for Industry Development); and one to enhance viability of magazines that promote arts and literature (Support for Arts and Literary Magazines). None supports distribution.

The Canada Council for the Arts offers writing and publishing grants to Literary and Arts Magazines.²⁹ Magazines may apply for specific project funding (i.e., a particular special issue) or for new magazine start-up funds. The program includes a component for new magazines devoted to literature and the contemporary arts in Canada; seed grants between \$2,000 and \$11,000 can be awarded to new magazines judged most deserving.

However, almost three-quarters of respondents (73.7 per cent) to a survey of periodical publishers for the evaluation said that there was no other program they could apply to beyond the Canada Magazine Fund and the Publications Assistance Program.

²⁹ <http://www.canadacouncil.ca/grants/publishing/wrsh15-e.asp>

4.2 Success of the PAP

The evaluation asked the following questions regarding success:

- What has been the impact of new funding and eligibility criteria, and the switch in PAP support from a reference tariff to percentage funding, introduced in 2003; and
- To what extent has the PAP:
 - Decreased mailing costs for Canadian magazines and non-daily newspapers?
 - Maintained or increased distribution of Canadian magazines and periodicals?
 - Maintained or increased access by Canadians to Canadian editorial content.

4.2.1 Impacts of the New Funding and Eligibility Criteria

As previously stated, in July 2003, a series of measures were introduced to facilitate access to the PAP by approximately 250 additional ethnocultural, official-language minority and Aboriginal community newspapers and periodicals. In addition to new eligibility criteria designed to increase the pool of eligible ethnocultural publications and community newspapers, a new funding percentage-based formula was implemented to replace the existing fixed rate approach. A total of \$6 million per year for two years was allocated to the PAP to facilitate the transition period associated with the changes, which were to be phased in by late October 2003.

Table 4.1 below presents a summary of the changes introduced and the results of these changes relative to targeted results for a number of PAP-supported streams one year following implementation. As seen in the table, although the new eligibility criteria has increased the number of supported community newspapers beyond target levels, the increase in the number of ethnocultural periodicals supported by the PAP has not met expectations.

Specifically, the number of additional weekly community newspapers in receipt of PAP support increased from 350 in 2002-03 to 467 in 2003-04, while actual PAP support more than doubled from \$ 4 million in 2002-03 to \$10.1 million following implementation of the changes. One year following the changes, however, the number of ethnocultural periodicals receiving PAP funding increased by only 17 (from 70 to 87), compared to a target of 130 additional titles. Similarly, the increase in the actual funding of periodicals fell short of targets, increasing by only \$200 thousand over the year.

**Table 4-1
PAP Subsidized Titles and Support (\$ millions)**

Category	Pre-2003		Expected Impacts ¹		2003-04		2004-05 ²	
	# of Titles Subsidized	PAP Subsidy	# of Titles Subsidized	PAP Subsidy	# of Titles Subsidized	PAP Subsidy	# of Titles Subsidized	PAP Subsidy
Ethnocultural Magazines & Newspapers ³	70	\$1.2	130	\$1.0	87	\$1.7	86	\$1.4
Community Newspapers ⁴	350	\$4	100	\$3	467	\$10.1	488	\$9.6
Paid Circulation Magazines	650	\$30 +			687	\$37.8	729	\$33.4
National & Regional Newspapers ⁴	28	\$3	Nil	nil	26	\$3.4	25	\$3.3
Request Circulation	-	-	100	\$1.4	63 ⁵	-	63	-
Total	1,098	\$38.2+	330	\$5.4	1,330	\$53	1,391	\$44.4
Notes:	1. Additional titles and dollars. 2. As of February 28, 2005. 3. Includes ethnocultural, Aboriginal and minority official-language magazines and newspapers (Aboriginal and minority official-language magazines and newspapers still pending.) 4. Effective fall, 2003. 5. Approved applications. Funding to commence in fiscal year 2004-05.							

Source: Publications Assistance Program

The development of policy and guidelines for ethnocultural and community newspapers began prior to the 2003 departmental announcement. This ensured that the ethnocultural and community newspapers that serve populations requiring a specific scope and cultural interpretation for their readership would have access to the Program.

The creation of specific funding streams for Aboriginal and minority official-language has not been implemented to date. The Program has prepared a draft of the policy/guidelines and forms for Aboriginal and minority official-languages, Scholarly and Educational and Religious publications. These drafts will be tested with stakeholders and publishers in the fiscal year 2005-06.

In summary, these findings suggest that the transition period associated with the new funding and eligibility criteria has been slower than anticipated, particularly with respect to ethnocultural, Aboriginal and minority official-language periodicals, although newsletters and T.V. listings with low levels of Canadian content were phased out during this period.

4.2.2 Impact of New Funding Streams and Percentage Funding Model

Departmental representatives, industry observers, and publishers had a generally positive view of recent changes to the Publications Assistance Program. Introduction of three streams (request circulation, newspapers and periodicals with different subsidy levels) and eligibility criteria were for the most part accepted.

**Table 4-2
 Publisher Opinions on the Switch from a Reference Tariff
 to a Percentage-based Funding Model**

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
The switch in April 2004 from a reference tariff to percentage-based funding has increased efficiencies in the distribution of our publications (s).	15.8%	35.0%	17.5%	31.7%

The April 2004 switch from a reference tariff to percentage-based funding did not appear to have a significant effect on the distribution efficiencies of survey respondents. More respondent publishers disagreed than agreed that the move from a reference tariff to a percentage-based funding model increased their distribution efficiencies. However, approximately 2/3 of respondents were neutral or didn't know.

4.2.3 Impact on Mailing Costs

The expected immediate outcome of the Program is a reduction of the mailing costs for Canadian magazines and non-daily newspapers. This issue will be addressed along two dimensions: (1) the potential cost savings associated with PAP support and (2) the number publishers receiving assistance.

An examination of the funding formula for determining the level of support provided indicates that the PAP subsidy can significantly decrease the cost of distributing eligible periodicals. The new funding formula allows the PAP to subsidize a proportion of the total postal costs based on the periodical stream and the per issue volume of the mailing.

For example, a subscription magazine weighing less than 100 grams would have a maximum publication mail price of \$0.51. If mailed within a bundle of 10,000 eligible pieces of mailing, it would be eligible for 50.18 per cent PAP subsidy. As a result, the postal cost to the publisher would decrease from \$0.51 to \$0.254 cents, and the total savings for the entire bundle of 10,000 eligible pieces would be \$2,559.

The findings from the case studies undertaken for this evaluation confirm that significant savings in postal costs can be obtained under PAP. In one magazine case study, the PAP subsidy was on average \$0.07 per 100 grams and \$0.23 per copy. Without PAP support, the average postal costs for six issues would have increased to \$0.20 per 100 grams and \$0.70 per copy. Consequently, without PAP support, the publication's profits for 2003-04 would have declined from \$150,000 to a loss of \$398,000. In another case study a periodical saved an average of \$0.30 on mailing costs per subscription copy as a result of the PAP subsidy. This saving was said to allow the magazine to be priced competitively in relation to its competitors. Examination of a magazine in a third case study reveals that the PAP covered \$0.20 cents a copy on an average postage cost of \$0.34 cents and that the publication would move from a profit to a significant without the PAP subsidy.

In terms of the number of publishers benefiting from the subsidy, over forty per cent of Canadian periodicals receive PAP assistance to defray postal costs. According to program administrative

data, as many as 1,261 publications received assistance in any given year. The total number of Canadian periodicals in 1998-99 was 2,027³⁰. Assuming that the number of Canadian periodicals has not changed significantly in the past seven years, approximately 60 per cent receive support through PAP on an annual basis.

It should be noted that while PAP provides financial relief to a proportion of Canadian publishers, as a result of the significant escalation in postage costs by Canada Post over the past five years, the Program has been covering a lower proportion of postal rates relative to available PAP assistance. To demonstrate, increases in postal costs were examined with reference to a case study magazine. For this magazine, the PAP subsidy has remained relatively constant between 2000 and 2005, covering about \$0.11 per 100 grams of the postal fees for each mail out. The Canada Post postage fees have increased 22.8 per cent during this same period, from \$0.16 per 100 grams in 2000 to \$0.20 in 2005. This represents a 64.7 per cent increase in the net postage costs per 100 grams for the magazine, and a corresponding decline in the proportion of postage costs covered by PAP from 69 per cent in 2000 to 55 per cent in 2005.

The findings with respect to the impacts on decreased postal costs demonstrate that PAP has reduced postage costs for a large proportion of Canadian publishers. The findings indicate that the Canadian Heritage portion of the PAP provides a postal subsidy of between 45.85 and 54.00 per cent for paid circulation periodicals, and between 10.00 per cent and 25.00 per cent for request circulation periodicals. Moreover, approximately 60 per cent of Canadian periodicals and non-daily newspapers receive a subsidy under PAP.

In April 2004 PAP funding support switched from a reference tariff to a percentage-funding model. This change was undertaken to promote efficiencies within publishers' mailing of magazines. Anecdotal evidence suggests that some efficiencies may have resulted from the change for some publishers, although no data was found to confirm this perception. Publishers consulted as part of the case studies undertaken for this evaluation indicated that there had been no changes to their publications' mail sorting or packaging practices as a result of the program's change to a percentage-funding model.

The change to the percentage-funding model was said to have resulted in efficiencies in administration of the PAP at Canada Post, particularly in cases where adjustments or corrections to publisher subsidy amounts and billing must be made. However, the exact extent of these efficiencies on staff time spent on the PAP at Canada Post has not been measured.

Canada Post made a strategic decision to contribute funds to the PAP to help ensure retention of its publications mail. Recently, however, the circulations of both PAP-supported and non-supported publications mailed through Canada Post have declined with the declines for both groups being similar. If Canada Post should decide that it is no longer necessary for it continue contributing financially to the Program to ensure retention of publications mail, (since both groups

³⁰ Statistics Canada, *Periodical Publishing in Canada, 1998-1999*.

Rural Development Institute, Brandon University, *English Language Community Newspapers, 2002*.
Centre d'études sur les médias, *Small Local French Language Newspapers in Quebec, 2002*.

are experiencing similar declines) the PAP’s impact on publications mailing rates would be affected.

4.2.4 Impact on Distribution

The key intermediate outcome of the Program is the maintenance and/or increased distribution of Canadian magazines or periodicals.

In the absence of comparative circulation data for PAP recipients and non-recipients, it is not possible to accurately measure the impact of PAP on increasing or maintaining distribution of Canadian magazines and periodicals. However, analysis of the data collected for the evaluation suggests that the Program has been generally successful in maintaining the distribution of Canadian magazines or periodicals. A review of program files indicates that the number of titles supported by PAP has remained relatively constant over the past five years. In addition, many publishers interviewed for the evaluation indicated that PAP has helped publishers maintain affordable magazine prices for consumers, and that without PAP support, the cost of postage would be passed onto the consumer, thus reducing circulation and readership.

Data from surveys of PAP-funded and non-funded publishers indicate that publishers perceive PAP funding as critical to enhancing circulation of publications. As depicted in Table 4-3, 70 per cent of publishers who received PAP assistance noted that overall circulation of their magazine would have declined in the absence of PAP funding. Similarly, 82 per cent of publishers reported that fewer magazines and periodicals would be sold in Canada without PAP assistance.

**Table 4-3
 Publisher Opinions on the Impact of the PAP**

Statement	Agree	Neutral	Disagree	Don=t Know/ No Response
Without PAP funding, the circulation of my magazine would decrease.	70.0 %	16.7 %	9.2 %	4.2 %
PAP funding has increased the competitiveness of my magazine.	75.8 %	12.5 %	8.3 %	3.3 %
Without PAP funding, my magazine would remain financially viable.	17.5 %	21.7 %	58.3 %	2.5 %
Generally fewer magazines and periodicals would be sold in Canada without PAP assistance.	81.7 %	10.8 %	5.0 %	2.5 %
PAP funding helped enhance the resources invested by my magazine in business development.	83.3 %	9.2 %	2.5 %	5.0 %
(n=120)				

Source: R.A. Malatest & Associates Ltd., Publishers Survey

In addition, according to the survey of publishers who are no longer in receipt of PAP funding (n=79), 32 per cent reported a decline in the circulation of their publication after the discontinuation of PAP support. This group reported an average decrease in circulation of 31 per cent. Forty-six per cent of these publishers disagreed that their publication was financially viable

without PAP assistance. Thirty percent also stated that the overall competitiveness of their magazine had decreased since the discontinuation of their PAP funding

In summary, the findings from numerous lines of evidence suggest that PAP funding has had a positive impact on maintaining the distribution of Canadian magazines and periodicals. The evidence indicates that PAP has helped publishers maintain affordable magazine prices for consumers and the absence of PAP funding appears to be correlated with declining circulation. It is important to note, however, that these findings are based to a large extent on perceptual data as current circulation data were not available for the evaluation.

4.2.5 Impact On Access To Canadian Editorial Content

Although PAP does not explicitly provide assistance for Canadian editorial content, design elements of the Program are such that the Program, by definition, contributes to maintaining or increasing access to Canadian editorial content by Canadian readers. Specifically, in order to qualify for PAP funding, publishers must demonstrate that their periodical contains at least 80 per cent Canadian-authored editorial content. This 80 per cent Canadian editorial content requirement is a key element in terms of supporting Canadian content. Consequently, it appears that the Canadian editorial content requirement, in combination with the widespread use of PAP among the Canadian publishing sector (i.e., approximately 1,200 titles supported by PAP funding), can contribute significantly to maintaining or increasing access to Canadian editorial content. This assumes that Canadian writers will produce content relevant to Canadians and that the material written by Canadians will increase readers' appreciation for and understanding of Canada.

The evidence also indicates that the Canadian magazine industry continues to offer a diversity of publications with Canadian editorial content. A review of program administration files revealed that PAP subsidises a wide variety of titles covering a considerable number of different communities and interests. In addition, a recent profile of the Canadian industry compared to that of other countries demonstrates that the Canadian industry continues to expand in the number of consumer magazine titles available. For example, as highlighted in Table 4-4, during the period from 2002-03 to 2004-05, the number of consumer titles expanded from 961 to 1,032, an increase of seven per cent over the period.

Moreover, survey and interview respondents reported that the PAP provides residents outside of urban centres with equitable and affordable access to Canadian magazines, despite the lack of availability of newsstands and kiosks. By subsidizing the cost of postage of periodicals to areas with more costly postage rates, for example, the PAP allows publishers to reduce the cost of their postage, and maintain the consistent levels of accessibility to all Canadians. It appears that the PAP acts as an incentive to publications to provide circulation in rural/remote areas.

It should be noted that as a result of the presence of other programs that also support Canadian publications (e.g., the Canada Magazine Fund), it is difficult to attribute these impacts directly to the PAP. In addition, in the absence of data on Canadian editorial content for publications that receive funding relative to Canadian publications that do not receive PAP assistance, it is difficult to accurately predict incremental increases in the availability of Canadian editorial content to Canadian readers resulting from PAP subsidies. However, information obtained through the

various sources of evidence suggests that PAP has had a positive impact on improving access to Canadian editorial content.

Table 4-4
Number of Magazine Titles (2002/03 - 2004/05)

	2002/2003			2003/2004			2004/2005			
	Consumer	Business	Total	Consumer	Business	Total	Consumer	Business	Customer	Total
Canada	961	--	961	1,000	--	1,000	1,032	525	--	1,557
U.S.A.	6336	5196	11,532	5,340	5,153	10,493	6,234	5,078	--	11,312
United Kingdom	3,120	5,342	8,462	3,130	5,208	8,338	3,229	5,108	800	9,137
Germany	2200	3,646	5,846	2,220	3,563	5,783	2,300	3,623	--	5,923
France	15382	1,485 ²	3,023 ²	3,000 ¹	1,191 ¹	4,191 ¹	2,904	1,200	--	4,104
Australia	720	--	720	755	800	1,555	780	870	--	1,650
New Zealand	290	380	670	290	380	670	--	--	--	--
Notes:	¹ 2001 data. ² 2000 data.									

Source: International Summary (FIPP/ ZenithOptimedia World Magazine Trends 2002/3 B 2004/05).

It should also be noted that although governing documents state that PAP is designed to improve access of “high-quality” Canadian editorial content, there is no evidence in program documentation to suggest that quality of content is monitored.

4.3 Cost-Effectiveness/Alternatives

There were three evaluation questions on cost-effectiveness/alternatives:

- Does PAP duplicate or work at cross-purposes with any other program that supports Canadian periodicals?
- Are there more effective ways of achieving PAP objectives?
- Is the Department’s performance monitoring sufficient to ensure effective results reporting on PAP?

4.3.1 Provincial/Territorial Programs

A review of provincial and territorial support programs found that while some funding is available to periodicals, there is no apparent duplication with the support provided by the PAP.

Eligibility criteria and amounts of funding vary, as does the type of support provided. The most common type of support offered was to cultural and literary magazines. Publishers’ associations offered a great deal of logistic and informational support in addition to some financial support, but only financial support is documented here.

In Alberta, the Alberta Foundation for the Arts (AFA) distributes \$19 million from lottery revenues each year to individual artists and arts organizations in the visual, performing and literary arts, and cultural industries. Book publishing companies and magazine publishing companies with established track records are eligible.³¹

The AFA offers grants to support magazine publishers in Alberta by assisting with editorial and pre-press expenses (operating expenses). Magazine publishing companies with established track records that publish materials with a literary, cultural, artistic, or youth interest are eligible for funding. Grants are based on the magazine's actual expenditures during its previous fiscal year. The maximum grant available is \$35,000.³²

Support for magazines other than literary/arts publications is available from the Alberta Magazine Publishers Association (AMPA), an organization supported by the Canadian Council, the Alberta Foundation for the Arts, and by the Government of Canada through the Canada Magazine Fund and the Western Economic Diversification Fund.³³ Magazines that belong to the AMPA have access to bursaries to attend professional development conferences and support for internships.

Operating Assistance awards are available from the British Columbia Arts Council to periodicals devoted primarily (at least 75 per cent) to the first publication of any form of artistic expression or social, cultural, or intellectual commentary or inquiry.³⁴ Priority is given to periodicals that emphasize the work of British Columbia writers or previously unpublished materials.

According to staff of the Ministry of Finance and Corporate Relations, Revenue Division, in B.C., magazine publishers qualify for an exemption under the Social Service Tax Act.³⁵ Magazines, periodicals and newspapers are exempt from tax provided certain criteria are met. British Columbia is the only government that offers a tax credit to magazines (Ontario offers a similar form of tax credit to book publishers).

In Manitoba, the Manitoba Arts Council funds developing and emerging periodical publishers for a variety of projects, e.g., professional development, special production costs and contributor and editorial fees.³⁶

In Ontario, the Ontario Arts Council offers project funding to magazine and book publishers.³⁷ As well, the Ontario Media Development Corporation (OMDC) can fund magazine publishing and other cultural industries. Its focus is to build the capacity and competitiveness of Ontario's

³¹ http://www.cd.gov.ab.ca/all_about_us/commissions/arts/grants/index.asp

³² http://www.cd.gov.ab.ca/all_about_us/commissions/arts/grants/pdf_files/Magazine_Publishers2004.pdf

³³ <http://www.albertamagazines.com/index.aspx?page=membership> and
<http://www.albertamagazines.com/index.aspx?page=home>

³⁴ http://www.bcartsCouncil.ca/programs/program.php?active_page=757

³⁵ http://www.rev.gov.bc.ca/ctb/publications/bulletins/sst_029.pdf

³⁶

<http://db.cht.gov.mb.ca/GrantsDir.nsf/61ec977d81ffe9a786256d20005438d0/5e2bf198d5450fad86256d1e006c035a?OpenDocument>

³⁷ Ontario Arts Council 2003 funding levels: http://www.arts.on.ca/userfiles/HTML/nts_1_866_1.html

cultural media industry, individually and across the sectors, and to encourage business alliances across the cultural industries.³⁸

In Quebec, there are numerous grant programs and other financial support for the Province's magazine publishing industry. For example, the Community Media Assistance Program can support specific projects of newspapers that have been in operation for at least one year and have published at least eight issues in the last year.³⁹

4.3.2 Effectiveness of approach

Canada's approach compared to other countries'

The evaluation reviewed information about programming in twelve countries, namely Australia, Austria, Britain, Finland, Ireland, New Zealand, Norway, Scotland, South Africa, Sweden, the Netherlands and the U.S.

The review found programs similar to those of the Canada Council for the Arts and the Canada Magazine Fund (the literary and cultural magazines component) most often offered: England, Ireland, Australia, New Zealand, and Scotland all had similar initiatives. The kind of support offered by PAP was much less evident.

The article "Pining for Cash"⁴⁰ states that "[s]ome believe that Canada, thanks to a complex system of regulations and economic support, has managed to preserve its own literary culture to the point that it's become a model for other countries wishing to do the same." It discusses France's response to GATS and how it has protected its cultural industries by exempting them from the trade agreement.

One feature offered by some other countries that is not available to Canadian magazine publishers is relief from taxation. Great Britain does not apply tax (VAT) to published materials on the basis that it taxes "learning" and thus acts as a disincentive. Norway does not apply the VAT to its newspapers. In addition, Great Britain sources publishing support money from lotteries.

In Australia, a magazine does not have to be printed or published in Australia to qualify for funding: it has only to be devoted to Australian literature. It is highly unusual for the criteria for funding not to include production/dissemination within the funding country. Overseas book and magazine publishers are eligible for funding from the Australian government.

As was the case in Canadian provinces and territories, much of the available funding was for arts and literary magazines. South Africa was the only country examined that did not offer financial support of any kind. Most countries offered funding at least to literary and arts magazines, in the

³⁸ The Ontario Media Development Corporation site: <http://www.omdc.on.ca/>

³⁹ Quebec Community Media Assistance Program site:
http://www.mcc.gouv.qc.ca/programme/pamec_a.htm#objectifs

⁴⁰ Author unavailable. "Pining for Cash." Canada and the World Background. Col. 67, No. 2, 2001.

belief that countries believe their inhabitants' cultural expression is important and unlikely to be heard without some government support.

Detailed findings are provided in Appendix C.

4.3.3 Administrative Efficiency

In 2004-05, the PAP required 2.4¢ in direct administrative costs for each grant dollar. This indicator has ranged from a low of 2.0¢ to a high of 2.8¢ throughout the five year period 2000-01 to 2004-05. This compares with the cost per dollar awarded of delivering four other Canadian Heritage cultural programs, namely Cultural Spaces Canada (2¢); the Book Publishing Industry Development Program (3.4¢); Arts Presentation Canada (7¢) and the Canadian Arts and Heritage Sustainability Program (13¢).⁴¹ This analysis reflects the fact that PAP staff only conduct file assessments of recipients every three years, and receive attestations for the other two years, and that funding is formula-driven.

This PAP calculation includes the Director and the Policy, Planning and Development staff, who have responsibilities for both the CMF and the PAP. Their O & M costs were divided evenly between the two programs. Also, Canada Post, as a delivery partner, incurs costs in administering the Program. Under an alternative delivery model, these costs might have to be borne by the Program.

Table 4-5
PAP Administration Costs (\$'000)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
PAP Administration ¹	850	820	1,040	1,320	1,160
Total Contribution	41,800	39,900	45,500	47,500	48,000
Cost to deliver \$1 of funding	2.0¢	2.0¢	2.3 ¢	2.8¢	2.4¢

¹ Includes O & M and Salary Expenditures for the PAP but excludes the Director and Policy, Planning and Development staff.

Source: Publications Assistance Program

PAP Subsidy Analysis

Despite the apparent efficiency of the current delivery model, there may be opportunities for the Program to increase its delivery efficiency. An analysis of PAP awards for the most recent year of activity, 2003-04, was completed and is provided in Table 4-6. It shows that 18 magazines, (i.e., 1.4 per cent of the 1,199 publications supported) received subsidies of \$500,000 or more, which represented 47.5 per cent of total subsidies.

At the other end, 31 magazines (i.e., 2.6 per cent of the total) received annual subsidies of less than \$100, and 258 magazines (i.e., 21.6 per cent of the total) received annual subsidies of less

⁴¹ Prairie Research Associates, *Summative Evaluation of the Book Publishing Industry Development Program*, June 2004.

than \$1,000. It should be noted that although support for newsletters was eliminated after 2003-04, the number of titles supported remains at about 1,200 titles.

Table 4-6
Distribution of PAP Assistance: 2003-04

	Newsletters		Non-daily Newspapers		Periodicals		Total	
	No.	\$	No.	\$	No.	\$	No.	\$
>\$1M	0	-	1	\$1,424,476	9	\$15,382,495	10	\$16,806,971
\$500,000 to \$999,999	0	-	1	\$ 829,071	7	\$ 4,341,308	8	\$ 5,170,379
\$100,000 to \$499,999	1	\$ 133,154	4	\$ 738,170	50	\$11,781,556	55	\$12,652,880
\$50,000 to \$99,999	1	\$ 61,336	7	\$ 480,153	34	\$ 2,382,839	42	\$ 2,924,328
\$10,000 to \$49,999	5	\$ 131,161	173	\$3,374,378	122	\$ 2,856,575	300	\$ 6,362,114
\$1,000 to \$9,999	25	\$ 83,651	238	\$1,218,745	263	\$ 896,690	526	\$ 2,199,086
\$100-\$999	25	\$ 11,404	17	\$ 10,091	185	\$ 86,261	227	\$ 107,756
<\$100	9	\$ 604	1	\$ 82	21	\$ 1,407	31	\$ 2,093
Total	66	\$ 421,310	442	\$8,075,166	691	\$37,729,131	1,199	\$46,225,607

Source: Publications Assistance Program

Given the cost to the program to process re-applications from funded titles every three years (introduced in the fall of 2003) and to review annual attestations during the intervening years from a relatively constant group of titles, consideration could be given to determining whether it is cost-effective to continue supporting titles whose subsidy payments fall below a certain threshold. In the example cited above, of the 258 publications that received less than \$1,000 of PAP assistance, only six titles with a combined subsidy of \$3,451 were classified in the Program's priority areas, i.e., as Aboriginal, ethnocultural or minority official-language publications.

4.3.4 Feedback on Eligibility Criteria

Publishers generally responded positively to new eligibility criteria as shown in Table 4-7 below.

Table 4-7
Publisher Opinions on PAP Eligibility Criteria (n=120)

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
General eligibility criteria for PAP assistance are appropriate.	62.5 %	13.3 %	15.0 %	9.2 %
Specific eligibility criteria for the category of PAP assistance for which you qualify are appropriate.	64.2 %	10.8 %	15.8 %	9.2 %
Canada Post requirements are appropriate.	53.3 %	25.0 %	10.8 %	10.8 %

Source: R.A. Malatest & Associates, Publishers Survey.

Surveyed publishers whose PAP funding had been discontinued were less supportive of the eligibility criteria: only 15 per cent agreed that the general eligibility criteria were appropriate.

In interviews of publishers, those least supportive of the new criteria tended to be publishers of magazines whose applications had been refused. Their major points were:

- The decision that PAP support will be based on paid circulation and, to a lesser extent, request circulation, rather than controlled/free circulation, is unfair. This eligibility criterion was seen as unfairly penalizing publications that rely on free circulation, for example ethnic and small community newspapers.
- The decision to restrict eligibility to publications with at least 5 per cent advertising content penalizes educational publications and magazines struggling to increase their advertising revenues. However, other stakeholders said paid circulation is the best basis for government decisions on funding.

Many publishers felt that the level of support for large magazines is too high. They said a larger proportion of the budget should go to small magazines. Available data does not suggest that larger publications have a higher profitability level. Also, since 2003, the PAP has increased its funding to priority publications by introducing new funding streams and a percentage-based model, and by reduced funding to large publishers by as much as 15 per cent.

Industry representatives, particularly those from Quebec and those with scholarly and artistic publications, felt PAP should support international distribution. The lack of PAP support to mail Canadian publications to other countries was seen as hindering development of foreign markets in places like France and hindering dissemination of Canadian learning abroad.

4.3.5 PCH-Canada Post Partnership

All publishers and industry observer interviewees who expressed a view on the subject said that responsibility for the overall management of PAP should stay with the Department of Canadian Heritage. It was generally felt that the Department has consulted well with the industry and has addressed the needs of both publishers and readers.

The majority of publishers surveyed (68 per cent) whose magazines receive PAP subsidies felt the PCH-Canada Post Corporation partnership is the best way to support the distribution of Canadian periodicals. A smaller proportion—61 per cent—said the application process, including the length of time to process an application was appropriate. (See Table 4-8)

Table 4-8 Publisher Opinions on PAP Delivery (n=120)

Statement	Agree	Neutral	Disagree	Don't Know / No Response
The partnership between the Department of Canadian Heritage and the Canada Post Corporation is the best way to aid the distribution of Canadian periodicals.	68.3 %	16.7 %	2.5 %	12.5 %
PAP application process to the Department of Canadian Heritage, including the length of time to process an application is appropriate.	60.8 %	16.7 %	14.2 %	8.3%

Source: R.A. Malatest & Associates Ltd., Publishers Survey.

Of those surveyed publishers whose PAP funding had been discontinued, only 37 per cent agreed that the partnership between Canadian Heritage and the Canada Post is the best way to aid the distribution of Canadian periodicals, and only 25 per cent felt that the application process was appropriate.

4.3.6 Views of new PAP Service Standards

More than half of the PAP recipients (54 per cent) said the new practices and service standards that were introduced between September 2003 and April 2004 had little impact on program delivery. Approximately equal numbers of publishers said program delivery had improved (12 per cent) and program delivery had deteriorated (nine per cent). A quarter did not respond.

4.3.7 Adequacy of Performance Measurement

The level of detail and organization of data about PAP recipients and funding have improved in recent years. The development of a PAP database has helped to organize the 1,200 files in one system. The use of a tri-annual application process, with annual attestations in the interim years, allows the Program to keep publisher data up-to-date. Program staff indicated that, prior to the development of these protocols, files were not updated on a regular basis.

In terms of addressing the specific performance indicators identified in the RMAF, the number and profile (type of publication, circulation size, etc.) of recipient magazines can be determined through the PAP database application information. Information, however, is not available in the database for total Canada Post mailing costs of all publications in receipt of PAP, limiting the ability to determine the share of PAP funding of total CPC costs for all funded magazines.

For determining whether PAP has helped to maintain or increase distribution of Canadian magazines and periodicals, current indicators rely on data from those publications that are in receipt of the PAP. Data are available on the overall circulation of titles in receipt of the PAP (although historical data prior to 2003-04 data are not available for all years as this information was not updated every year), as well as through the number of titles receiving PAP support. In addition, survey data can assess the extent to which publishers identify circulation changes after PAP funding has ended.

Current indicators do not allow for the examination of the extent to which the PAP has helped to support the overall, industry-wide distribution of Canadian publications, however. A more appropriate indicator of the program's success in this area may be the proportion of Canadian publications that receive the subsidy, or the extent to which the overall Canadian publications industry has maintained or increased circulation. Data for this indicator are available for periodicals through the Statistics Canada Periodical Survey. However, given the infrequency of this survey (the survey results have been available only every five to six years), this source is of limited usefulness in assessing the Program in this area. In addition, Statistics Canada has indicated that future data after 2005 will utilize a sample approach, which will severely limit the comparability of data from previous waves of the survey, as well as the accuracy of the data.

While other available sources of industry data exist, these other sources are less methodologically objective and far less comprehensive than the Statistics Canada data.

The data collected from PAP recipients does not include financial information. As a result, the program cannot calculate what impact the PAP has had in terms of, for example, the revenue or profitability of PAP recipients. However, as these data are collected for the CMF, this can be gauged in cases where the recipient is receiving both CMF and PAP funding.

Program Reorientation and Performance Measurement

Currently, there are no stated outcomes or existing performance indicators that address the PAP's objectives (as stated in the 1999 terms and Conditions) related to small community weekly newspapers in rural communities, and minority official-language and ethnic newspapers. The current RMAF does not identify a performance measurement strategy to specifically address these priority areas.

The program could measure its performance in relation to this reorientation by monitoring the number of publications by type of magazine (circulation type, type of publication, funding stream), as well as funding amounts by magazine type. It should be noted, however, that, prior to the changes to the PAP, publications were not categorized by whether or not they fall within the identified priority areas

5.0 Conclusions, Recommendations and Management Response

This section of the report summarizes evaluation findings and conclusions on the three evaluation issues—relevance, success and cost-effectiveness/alternatives.

Relevance and Rationale

The conditions that prompted development of the Publications Assistance Program -- a relatively sparse population spread over a very large geographical area -- continue. The proximity of the United States magazine publishing industry, with the same language, a similar culture, and a population ten times that of Canada's, speaks to a continued need for efforts to ensure Canadian content for Canadian readers and its availability across the country.

The PAP's objectives in its Terms and Conditions differ from those identified in the Applicant's Guide and imply different expected outcomes to measure success. There is no clear statement in the Program's governing documents that states the underlying rationale for the program, although the "mandate" outlined in the Applicant's Guide talks about the PAP helping Canadians build their knowledge, share their perspectives and explore cultural diversity. This, however, is more ambitious than the Program's objectives outlined in its Terms and Conditions.

Changes to the Program since 2003 have increased its alignment with departmental objectives and federal priorities, although the link with federal government priorities outlined in the Speech from the Throne's "cities and communities" commitments ("to foster cultural institutions that ... reflect a diverse and multicultural society ... and promote cultural expression ...") is implied. The PAP has been reoriented to increase access to the program for publications serving priority communities, i.e., small community, ethnocultural, Aboriginal and official-language communities and to ensure that a diverse range of Canadian content periodicals are accessible, at an affordable rate, to Canadians regardless of distance, language and diversity. Supporting Canadian periodicals by providing postal assistance is viewed by stakeholders and industry observers alike as a practical approach.

The Program's existing outcomes and logic model do not reflect changes made to the Program to reward more efficient companies, to target more funding to smaller publications and to provide greater support to publications in priority areas.

PAP's effectiveness in helping to have Canadian content delivered to Canadians is uncertain. The program's results are based on two untested assumptions. One is that Canadian writers will produce content relevant to Canadians; the Program requires that 80 per cent of the content of PAP-supported periodicals be written by Canadian citizens or permanent residents. The other assumption is that the material written by Canadians will increase readers' appreciation for and understanding of Canada.

Postal rates and other publishing costs have also risen during the study period. This suggests a continued need for PAP assistance.

Though publishers are moving toward electronic delivery methods, it will be some time, if ever, before the mailing of journals and magazines is abandoned entirely. Electronic delivery of materials may decrease the number of copies any particular magazine or journal mails out, but if current trends continue, the overall amount of mailed pieces will remain constant or possibly even increase, given the trend toward an overall proliferation of journals and research, and of emerging magazines. The number of Canadian consumer magazines also continues to expand.

Success/Impact

The evaluation assessed implementation of the July 2003 commitment to extend PAP assistance to 100 additional community newspapers and to 130 additional ethnocultural, minority official-language and aboriginal community magazines and newspapers. The evaluation found that support for community newspapers has exceeded projections with the number of supported titles increasing from 350 before the announcement to 467 in 2003-04 and to 488 in 2004-05. This has meant that more rural Canadians are receiving news relevant to their communities.

Increases in support for ethnocultural, Aboriginal and minority official-language magazines and newspapers have been more modest with the number of titles supported increasing by 17 from 70 before the announcement to 87 in 2003-04. However, it is too early to conclude on the success of transition to this stream as support for minority official-languages and newspapers is still pending.

The result of the changes announced to the Program in 2003 has been a decreased emphasis on the industry's financial viability and competitive objectives and an increased emphasis on social policy objectives of inclusion and diversity.

The evaluation found that PAP has provided postal subsidies to approximately 40 per cent of magazines and non-daily newspapers, but increases in postal rates have reduced the benefits to publishers. Still, the program was found to have helped publishers keep periodical prices affordable and are believed to have helped them maintain positive profit margins. The absence of PAP funding appears to be correlated with declining circulation.

Findings that support the Program's success with respect to long-term goals include:

- A seven per cent increase in the number of consumer magazines available in Canada from 2002-03 to 2004-05, which represents a considerable increase compared to the change in number of titles available in the US (-1.6 per cent), the United Kingdom (-3.4 per cent) and Germany (+4.5 per cent) for a comparable period.
- According to publishers, increased competitiveness of their publications (76 per cent of respondents).

Cost-Effectiveness/Alternatives

A review of other funding programs for magazine publishers found just two other federal programs, both with purposes quite different than PAP's; there is clearly no overlap or duplication. A review of funding programs in other countries found that Canada might well rank among the top ten countries in terms of supporting its periodical publishing industry. In fact, the literature review found that some believe that Canada, thanks to a complex system of regulations and economic support, has managed to preserve its own literary culture to the point of becoming a model for other countries wishing to do the same.

The PAP is relatively efficient to administer. This is due to the fact that the PAP is a formula-driven grant program that is delivered in partnership with Canada Post. Under other possible delivery models, some of the delivery costs incurred by Canada Post might have to be incurred by the PAP.

In 2003-04, the most recent year for which complete information is available, 18 periodicals and community newspapers accounted for 48 per cent of total Canadian Heritage PAP expenditures. At the opposite end, 258 publications, i.e., 22 per cent of all PAP recipients received subsidies of less than \$1,000 and accounted for only 0.2 per cent of Canadian Heritage's PAP expenditures. Included in this group are 31 publications that received annual subsidies of less than \$100. This raises the issue of whether it is cost-effective to support titles whose subsidy payments fall below a certain threshold. It is recognized that some flexibility might have to be extended to publications with small circulations for a set period of time that are serving priority communities to allow them to grow their circulations.

Recommendations and Management Response

The following recommendations are based on the evaluation's research, findings and conclusions.

Recommendation 1: Complete the implementation of the Aboriginal and minority official-language streams that were announced in 2003.

In early 2003, changes to the PAP were announced to provide greater support to periodicals serving Aboriginal, ethnocultural, and official-language minority communities and to newspapers serving smaller communities. These funding streams were to be implemented by late October 2003. However, the Aboriginal and minority official-language streams have not yet been implemented.

Management Response: Accepted.

As part of changes to periodical programs announced in 2003, measures were introduced to the Canada Magazine Fund to preserve or enhance access for these streams in 2003-2004, and the ethnocultural stream was modified for the PAP at the same time. Since then, extensive research and consultations have been performed for creating new Aboriginal and minority official-language streams for the PAP, and new guidelines have been drafted. After a final round of

consultations and review and the development of a communications plan, these measures will be presented to senior management for approval before the end of 2005-2006.

Completion date: By March 2006

Recommendation 2: Ensure program documentation reflects program objectives, expected outcomes and performance indicators for the PAP that are consistent with and fully reflect approved Terms and Conditions.

Publications Assistance Program documents are inconsistent in their presentation of the Program's rationale, objectives and expected outcomes. The Program's 1999 Terms and Conditions speak of: wide and affordable dissemination of Canadian cultural products; ensuring weekly newspapers in small rural communities continue to be accessible to their readers; and supporting the vitality of English and French minority communities and Canada's diversity by providing distribution support to minority official-language and ethnic weekly newspapers. But the Program's 2004 Applicant's Guide only provides "reduce the cost of distributing Canadian magazines and non-daily newspapers within Canada and increase Canadian readers' access to magazines and non-daily newspapers with high levels of Canadian content" as program objectives, thus neglecting aspects of the Program's mandate. It is, therefore, not clear that publications that meet applicant guide requirements will satisfy the Program's Terms and Conditions, or achieve departmental strategic outcomes.

Management Response: Accepted.

Done. The new Terms and Conditions approved on June 6, 2005 contain revised program objectives, outcomes and performance indicators. They will be reflected in a revised applicant's guide, all program documentation, and all planning materials.

Completion date: By December 2005

Recommendation 3: Within the next 12 months, a review of publications should be completed to test whether publications being supported by the Program actually do help Canadians build their knowledge, better understand one another and develop common links.

The assumption made by the Publications Assistance Program is that editorial content written by Canadian citizens or permanent residents will achieve departmental objectives, i.e., it will help Canadians build their knowledge, better understand one another, and develop common links. To be eligible for PAP support, publications must either demonstrate or provide attestations that 80 per cent of their editorial content has been written by Canadian citizens or permanent residents. However, there is no review of the nature of editorial content developed.

Management Response: Partially Accepted.

The Program believes that ensuring that Canadians produce the majority of editorial content is sufficient to demonstrate a strong link to Departmental objectives. There has been a longstanding

view in the Department that materials produced by Canadian creators is Canadian content, and that there is value in sharing Canadian viewpoints with other Canadians, even if the subjects are international. As such, we do not accept that a review of whether the content produced by Canadians concerns Canadian subject matter will add substantially to meeting Departmental objectives. Furthermore, reviewing the actual content to determine how “Canadian” it is would be, by its nature, subjective and thus difficult to apply for program eligibility purposes. Materials produced by Canadians meets, by definition, the Departmental objective of “Canadian Content” (“promoting the creation, dissemination and preservation of diverse Canadian cultural works...”). However, the program will conduct a national reading survey on Canadian periodical reading habits. This study will look at the link between reading content produced by Canadians and having a citizenry better informed about Canada, as well as the value of having Canadian perspectives on international affairs.

Recommendation 4: Review the rationale for providing a postal subsidy to request circulation publications.

The rationale for the creation of a PAP funding stream for request circulation magazines should be examined. The creation of this funding stream, while mitigating the effect of the discontinuation of editorial support through the CMF, does not align well with the overall reorientation of the PAP, nor does it have a strong economic rationale.

Management Response: Accepted.

The rationale for this funding will be examined in detail over the next year and recommendations made to senior management and the Minister. The economic rationale will be examined in the context of data from Statistics Canada.

Completion date: Recommendations by June 2006

Recommendation 5: Review the rationale for providing small subsidies as the Department’s delivery costs may significantly outweigh the benefits to subsidy recipients.

Over 20 per cent of all PAP recipients received annual subsidies of less than \$1,000 and combined, accounted for only 0.2 per cent of Canadian Heritage’s PAP expenditures. The Program should determine whether it is cost-effective to continue supporting titles whose annual subsidies fall below a certain threshold.

Management Response: Accepted.

The rationale for these subsidies will be examined in detail before the end of 2005-2006. The number of these subsidies could be limited by introducing a minimum circulation threshold. However, the program will do a detailed study to examine the type of periodicals affected, and whether there is a strong correspondence to the Department’s cultural objectives. Options will be tabulated including pros and cons, and presented to senior management for decision.

Completion date: Recommendations by December 2005

Recommendation 6: Improve the collection and analysis of performance information to support performance measurement and reporting.

The Statistics Canada Periodical Survey is a key source of data to measure the strength of the periodical industry in Canada but data is not available at sufficiently regular intervals to allow the survey to be effectively used by the Department for performance measurement or evaluations. More regular intervals of new survey data or other sources of performance information are required to support performance measurement and program evaluation.

Management Response: Accepted.

The program strongly agrees that accurate data on the periodical industry must be obtained in a more regular manner. The program is currently developing benchmarking that will allow us to examine key performance indicators for individual publishers. For broader information about the industry, different options are being explored, including commissioning a special run from Statistics Canada, or finding a third party who could perform such research in a credible manner.

Completion date: By March 2006

Appendixes

Appendix A: Survey Responses

Survey response for the four surveys undertaken for the project is outlined in the tables below. It should be noted that the surveys were undertaken using a mixed-mode survey methodology, including mail-out of surveys with telephone follow-up from the Consultant's Survey House.

Table A
SEC Recipients
Survey Response

Survey Response	Number of Cases	Percentage of Cases
Completed Surveys	164	47.4%
Left Message/Call-back/Other	162	46.8%
Not In Service	7	2.0%
Refusal	13	3.8%
Total Sample	346	100.0%

Table B
SEC Unfunded Applicants
Survey Response

Survey Response	Number of Cases	Percentage of Cases
Completed Surveys	57	44.2%
Left Message/Call-back/Other	43	33.3%
Not In Service	19	14.7%
Refusal	10	7.8%
Total Sample	129	100.0%

Table C
SBDSMP Recipients
Survey Response

Survey Response	Number of Cases	Percentage of Cases
Completed Surveys	85	57.8%
Left Message/Call-back/Other	47	32.0%
Not In Service	8	5.4%
Refusal	7	4.8%
Total Sample	147	100.0%

Table D
Publications for Which PAP was Discontinued
Survey Response

Survey Response	Number of Cases	Percentage of Cases
Completed Surveys	79	30.3%
Left Message/Call-back/Other	125	47.9%
Not In Service	33	12.6%
Refusal	24	9.2%
Total Sample	261	100.0%

Appendix B: Key Informants

Department of Canadian Heritage

Gordon Platt	A/Director General, Publishing Policy and Programs, PCH
William Fizet	Director, Publications Assistance Program, PCH
Maria Tiley,	Manager, Publications Assistance Program, PCH
Scott Shortliffe	Manager, Planning and Development, PCH

Industry Associations

British Columbia Association of Magazine Publishers
Association québécoise des éditeurs de magazines
Association québécoise des éditeurs de magazines, Reader's Digest
Société de développement des périodiques culturels québécois
Association de la presse francophone
Canadian Community Newspaper Association
Manitoba Magazine Publishers' Association
Alberta Magazine Publishers Association
Canadian Magazine Publisher's Association

Magazines

Cottage Life Magazine
Ascent Magazine
Transcontinental Media
Geist Magazine
Business Information Group
Protégez-vous
Masthead Magazine
Les Débrouillards
SkyNews
Magazine Taloua
The Newfoundland Herald
Saltscapes
Magazine Animal

Canadian Geographic

Abacus Communications Ltd.

This Magazine

Femmes arabes

The Western Producer

Cahier de théâtre Jeu

TV Week Magazine

Canadian Art

Rogers Media

Herizons Magazine Inc.

Sechelt/Gibsons BC Coast Reporter

Canadian Business Press

Magazine Travail-Santé

Alberta Venture

Rapid Magazine & Adventure Kayak Magazine

Canadian Business Press

Magazine Loulou

Industry Observers

Canadian Ethnic Studies/University of Calgary

Ryerson University

School of Journalism, Simon Fraser University

Canada Council for the Arts and Canada Post Corporation

Economic Strategy and Regulatory Affairs, Canada Post Corporation

Canada Post Corporation

Canada Council for the Arts

Appendix C: Support for Periodicals in Other Countries

Australia

Overview: Australia has more than 700 magazine titles and one of the world's highest per capita rates of magazine sales. Australians buy an average of twenty-five magazines a year (Americans buy twenty-three, on average).

Postal programs; Australia does not appear to offer a postal subsidy, though it does offer savings from bulk mail processing similar to Canada Post's Publications Mail. This may not be a subsidy, as such, simply a reduced price for pre-sorted, bulk mail. When examining these postal programs, it is sometimes difficult to determine if the reduced price is an actual subsidy or simply reflects reduced costs associated with a particular mailing method.

Support for all magazines: The Print 21 Program (PPRM) is comprised of three distinct segments: the second of which is printing/publishing of newspapers and the publishing of periodicals, books and other printed articles (with sales of \$7.75 billion). It is not clear how much of the program relates specifically to magazines, though periodicals and magazines are definitely included in the plan.

Arts and cultural magazine funding: Australian literary magazines are eligible to apply for funding from the Australia Council for the Arts toward writers' fees and the magazine's production costs for one year.

New Australian literary magazines with no more than two issues published at the time of application may apply for foundation grants. These magazines must be devoted predominantly to the publication and/or critical appraisal of Australian creative writing. Foundation grants are for one to two years or for a specified number of issues.

Overseas magazine publishers can apply for assistance to publish issues of magazines devoted to Australian creative writing.

Austria

Miscellaneous funding programs: This information is dated, but no newer information was available. The Federal Chancellery offers direct assistance to newspapers (dailies and weeklies) under the 1975 law on press promotion if they are published and produced in Austria, have a circulation of at least 5,000 copies, employ a certain minimum number of professional journalists, appear at least once a week, and primarily report news. The Chancellery subsidy reimburses newspapers for 60per cent of the turnover tax paid, 20per cent of the transport rates paid and 20per cent of the telecommunication costs. In 1987, 18 daily newspapers and 60 weeklies were allocated the total of AS 85.3 million."

Britain

Overview: The Arts Council of England is the national development agency for the arts in England, distributing public money from government and the National Lottery.

Arts and cultural magazine funding: Britain's Council for the Arts funds literary and arts magazines. Grants normally range from £200 up to a total of £100,000, and can cover activities lasting up to three years. Most grants are under £30,000.

Examples of funding:

Art Monthly: Purpose of Grant: enable more time to be allocated to subscription drives, contacting new advertisers and marketing in general, to impact subscription and advertising income in the long term.

Received £24,000 in 2003, £29,000 in 2004, and £30,000 in 2005

London Review of Books: Purpose of Grant: Payments to contributors.

Received £14,500 in 2003, £14,900 in 2004, and £15,300 in 2005.

Postal programs: Postal services in the UK appear to be much like Canada's Publications Mail, with presorting resulting in savings, though delivery times vary from same day delivery to three days (in a much smaller country, of course). A British consumer magazine executive complained that the costs of fulfilling subscriptions make them currently uneconomic. "Up to 50per cent of subscription revenues go on postage and packing alone."

Summary: The Arts Council requires organizations to supply only 10per cent of the funding a project requires, and they also note that in some circumstances, even that requirement can be waived. One of the recommendations listed in the report, "Publishing in the Knowledge Economy," is that the possible creation of a single body to issue blanket licences should be explored (p. 124) in order to provide a simple way for customers to use content legally. It is assumed that, as of 2002 when the report was written, they did not yet have a body similar to our "Access Copyright" or the US's "Copyright Clearance Center." What is interesting is that, despite the possibility for same day delivery of bulk mail, the propensity to complain about the mail service exists there, too. "Many UK publishers are complaining that the postal service was: too expensive, becoming less efficient, and changes its rates with insufficient notice, affecting publishers' budgets and planning."

Finland

Overview: A page on Finland's government web site is a table outlining government subsidies to the printed press from 1993 to 2002. It mentions the following subsidies (the rest of the materials on the site were in Finnish).

Postal programs: Subsidies were apparently paid to the post offices for delivery costs. In 1994 that subsidy was redefined as compensation for newspaper deliveries in rural areas. Funds went to subsidize transport, delivery and other costs.

Support for all magazines: Subsidies for opinion journals and religious journals were combined into subsidies for cultural periodicals in 1994.

Ireland

Overview: There was not a lot of information available on the Irish government's web site, but their association web site offered more. "None of the top-selling magazines on the market is

Irish. The top two are the British titles, *Now* and *Hello!* with sales of 45,000 and 42,000 respectively” (from the Irish Publishers Association web site).

Arts and cultural magazine funding: Irish funding of the Arts Council comes from lotteries and the government. The Arts Council supports literary and visual arts publishing by means of revenue support to specialized publishers and journals. No further information was available from their site.

New Zealand

Overview: New Zealand has an enormous number of imported titles – around 5,800 – versus local published titles, estimated at 700. The industry would never consider imposing any form of restriction. Domestic publishers continue with the attitude of healthy competition and are determined to do what they do, only better. Apparently, there is a great deal of support for domestically produced magazines in New Zealand. They’ve done a good job of cultivating loyalty among their customer base. Around 1,500 of these foreign titles come from Australia. Most overseas titles, however, have comparatively small circulations. The biggest selling titles, by a significant margin, are those published in New Zealand.

Arts and cultural magazine funding: Artform’s web site notes that they fund national literary magazines and review journals. Funding levels are determined according to the project. The criteria for funding literary journals is evidence of editorial and publishing expertise; ability to promote and distribute the journal on a national basis; inclusion of contributors from all over New Zealand; and an ability to pay contributors and show ongoing commercial viability through subscription and bookshop sales.

Postal programs: A bulk mail program (similar to Canada’s Publications Mail) is not directed specifically toward magazine publishers, but applies to any bulk mailing. The primary distinction between New Zealand and Canada’s bulk pricing is that only 100 pieces of mail are required to access New Zealand’s reduced pricing. The result is that New Zealand magazines can access reduced mailing rates for renewals, promotions, etc., in addition to distributing their magazines.

Support for all magazines: A few other granting programs are available in New Zealand but the criteria are very generalized. Projects are assessed individually. Some magazine projects may well be fundable.

Norway

Miscellaneous funding programs: Daily newspapers are considered an essential commodity in Norway, in their contribution not only to the workings of democracy but also to cultural life. In relation to its population, Norway probably has Europe’s highest number of dailies, with each town, as well as more sparsely settled districts, provided with a local paper. In order to sustain such a press structure, Norway has developed a resource-consuming system of public support, in the form of subsidies towards paper, government advertising, direct grants, loan arrangements, and cheaper distribution. Certain newspapers may be receiving annual subsidies of up to NOK 20 million. In addition, the Norwegian daily press is exempt from VAT.

It has been calculated that subsidies to the press as a whole account for about 20 per cent of all newspaper income.

Scotland

Arts and cultural magazine funding: The Scottish Arts Council supports magazines with two programs: a Writer's Factory Grant and Writing Fellowships.

Writer's Factory Grants for publications assist established Scottish-based publishers of books and magazines with the publication of works of literary/cultural merit that represent some financial risk. Magazines are eligible for a minimum grant of £2,000 up to a maximum of £15,000.

Writing Fellowships offer assistance for organizations to employ writers to develop their own work in the context of dynamic opportunities within specific communities. The minimum award is £18,000 per annum or pro rata based. Up to 50 per cent partnership funding is required for most projects.

South Africa

Overview: No subsidies apparently available to South African magazine publishers. There are 360 magazine publishers in South Africa, and the tax (VAT) on magazine purchases is 14 per cent.

Sweden

Overview: Sweden's government web sites were generally not available in English. This is unfortunate, given that Sweden is one of the countries noted for supporting their magazine publishing industry. The Svenson article offered the following information, as sparse as it is. The National Council for Cultural Affairs, which was established in 1974 as part of the New Cultural Policy, provides the government with information and recommendations concerning future cultural policy developments. The council has extensive responsibility for evaluation and follow-up and provides financial support for arts periodicals and public libraries, as well as for cultural-environmental conservation. The Ministry of Culture's total budget for 2000 is just over \$760 million. An increase to \$780 million was expected in 2002. Expenditure on culture corresponds to about 1 per cent of the total Swedish national budget. Subsidies to the daily press and periodicals account for about 13 per cent of the total budget. Subsidies to book publishers are also very substantial. In Sweden, the Value Added Tax (VAT) on magazines is 25 per cent.

Arts and cultural magazine funding: Libraries are the most important marketplaces for cultural periodicals. Recently, cultural periodicals have been used increasingly by library information services, despite the fact that libraries have been forced to cut back on subscriptions. For this reason, public libraries were given the opportunity to take out free subscriptions to five subsidized cultural periodicals the library had not previously subscribed to. A special grant for the production of a catalogue of cultural periodicals on the Internet was also introduced. Both of these measures were expected to increase sales of literary and cultural magazines.

The Netherlands

Unfortunately (because I'm told the Netherlands supports its publishing industry financially), the Netherlands sites are largely not in English. Dutch magazines fall into four categories: newsmagazines, general interest magazines, radio and television guides and special interest magazines. The best known newsmagazines are influential despite their relatively low circulation.

USA

As the US economy slowed in 2001, affected by the events of September 11, the consumer magazine industry, along with other media, experienced a decline in advertising. Adspend fell by 10.0 per cent, while the number of ad pages dropped 11.7 per cent. Despite total magazine circulation dropping 5.8 per cent in 2001, overall adult readership increased 5.3 per cent since 1998, outpacing the 4.4 per cent growth in the adult population during the same period (despite the continued growth of the internet and other media).

Postal programs: Under the periodical category, mailing prices vary with the amount of advertising contained in the item, and with type of mailing (different prices are offered for educational materials, agricultural materials, etc.). The USPS periodical mailing privileges guide describes qualifying criteria as:

- Demonstrated intent to publish indefinitely and with continuity.
- Publish at least quarterly.
- Maintain a fixed or known office.
- Must consist of printed sheets.

In general terms, publishers' periodicals are domestically approved publications that include magazines, newspapers, journals, and other types of periodical publications (see USPS guide: Applying for Periodical Mailing Privileges).

In order to be admissible at publishers' periodical rates, qualifying mail matter must be tendered by the publisher or registered newsagent who is authorized to enter that particular publication. A filing fee of \$375.00 must be paid to apply for access to publishers' rates (whether the application is approved or denied).

The cost of shipping a magazine from Chicago (ZIP 60619) to Beverly Hills (ZIP 90219) was identified using rates published by the USPS (see USPS rates). Prices were determined for 100 gram items (the size of an average magazine), for 350 gram items (the size of an average journal), and for one pound sample items.

Rates for Mailing Periodicals: (these rates can be lowered by approximately one-third by using an automated, bar-code system available in the US).

	100gm <u>(3.53oz)</u>	350gm <u>(12.35oz)</u>	454 gr. <u>(16 oz)</u>
regular	\$.3928	\$.5657	\$.64
in-country	\$.1383	\$.2187	\$.25
non-profit	\$.3752	\$.5446	\$.62
classroom	\$.3752	\$.5446	\$.62
First class mail:	\$ 1.06	\$ 3.13	\$ 3.13 (13 oz. limit)
Standard mail:	\$.3542	\$.7445	\$.91 (15.99 oz limit)
Bound Printed Matter:	\$ 2.20	\$ 2.20	\$ 2.20
Priority Mail: (16 oz)			\$ 3.85

Publishers' periodicals can be mailed to other countries at the following rates (discounted from the rate charged for regular mail):

	100gm <u>(3.53oz)</u>	350gm <u>(12.35oz)</u>	454 gr. <u>(16 oz)</u>
To Canada	\$.57	\$1.15	\$1.43
To Mexico	\$.90	\$2.13	\$1.81
To Australia, Japan	\$.82	\$1.81	\$2.25

Domestic publisher's periodicals for delivery outside the United States

An interesting feature of the USPS is that they offer other reduced-rate / enhanced service programs specifically targeting Canadian residents. The program outlined on a UPS web site offers delivery to Canadian addresses wherein the return address appears to be a Canadian address, ostensibly to be used by an American company that wants to be perceived/mistaken as a Canadian company.

Overall Finances: The US Treasury reports the USPS 2003 revenue and expenses as \$67.6 billion and \$81.5 billion, respectively, while the US Postal Service claims to break even financially, as is required by law.

The USPS reports (under Periodicals classification of the 2002 cost analysis report) expenses of \$2.165 billion, of which approximately 95 per cent is on account of "outside country" services (meaning exported periodicals).

The following information is from a column, not an article, published in *Folio: The Magazine for Magazine Management*. It is included for information purposes.

The USPS estimates that over 15,000 periodicals have received permits to mail at the non-profit second class rate because they are classified as educational, scientific, religious, fraternal, veterans, philanthropic, or whatever. Here are some examples:

We estimate that today the non-profit Journal of the American Medical Association is paying approximately 17.25 cents per copy to mail its tax-exempt periodical. If it paid full rates, it would pay 20.6 cents. This is a difference of about 3.5 cents per copy. Since the Journal of the AMA is mailed 48 times a year, it would mean that each doctor would have to pay \$1.61 more per year to be unsubsidized. The AMA, for one reason or another, out of its annual dues of \$350 per doctor, allocates \$2 per year as the cost of a subscription to the Journal of the AMA. Thus, it

would mean raising that allocation to \$3.61, and any postal subsidy would be eliminated. ... If the Commission and Congress ... recommend stopping all of this subsidization, the taxpayers will save \$553,489 on the AMA Journal alone.

Consider the National Geographic: A \$15 per year membership to the National Geographic Society includes a subscription to that magazine, which is the major benefit of membership. There are over 10 billion "members" paying \$150 million per year, each of whom gets this publication at non-profit rates. We calculate that today the National Geographic pays 13.5 cents per copy, but if there were no subsidies, it would pay 16.9 cents per copy. If the Geographic passed the whole amount on to its members, each one would have to pay only 41 cents more per year, meaning that a total of \$4,100,000 per year could be saved by the Federal Treasury in deficit reduction, since that is the difference between what the Geographic pays subsidized and what it would pay unsubsidized.

"The USPS requested \$1.2 billion last year for second, third and fourth class postal subsidies."

Note: that figure is from 1986.

Summary: There was nothing in any of the databases searched about US government funding/grants for the magazine publishing industry. In fact, most of the articles returned from searching US databases referred to what's happening in Canada.

A close examination of the American government's and of numerous publishing associations' web sites indicated that there are no subsidy programs available for magazine publishers. The postal subsidy offered appears to be generous, but there is so much apparently conflicting and definitely complex information regarding rates and conditions it was not possible to state with any certainty exactly how the US system compares to Canada's without more time to disentangle all the categories and restrictions.

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