

**Summative Evaluation
of the
Canada Magazine Fund**

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

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Executive Summary

This report presents the findings of the *Summative Evaluation of the Canada Magazine Fund*. The report is based on research conducted by R.A. Malatest & Associates Ltd. and Jo-Ann Cleaver for the Department of Canadian Heritage.

Introduction

In 1999, the Department of Canadian Heritage introduced the pilot program of the Canada Magazine Fund (CMF) to “safeguard diverse Canadian voices in a rapidly evolving marketplace.” The impetus for the creation of the CMF, which was launched in 2000, was the serious challenges brought on by an increasingly competitive domestic marketplace. In particular, the Canadian magazine and periodical industry faced the potential for increased competition for advertisers in light of the signing of the *Canada-US Agreement on Magazines*, which allowed foreign publishers new access to the Canadian advertising market. To address this threat, the CMF was created to help keep Canadian costs competitive and to ensure that high quality Canadian editorial content was available in Canadian magazines. The CMF originally included three components: editorial support through the formula-based funding allocated to eligible publications through the Support for Editorial Content (SEC) component, as well as industry development support through Support for Business Development for Small Magazine Publishers (SBDSMP) and for association initiatives through the Support for Infrastructure Development (SID) component, which was renamed in 2003 to Support for Industry Development.

Changes to the CMF were announced in July 2003 in light of the success of the *Foreign Publishers Advertising Services Act* and other measures in preventing the entry into Canada of split-run editions of foreign magazines, while still recognizing the competition faced by Canadian publishers from foreign competitors. The original budget of \$45 million was reduced to \$35 million in 2001-02 and further reduced to \$16 million for fiscal year 2003-04. In addition, editorial support was targeted to magazines and publishers competing for 50 per cent paid circulation, as they were felt to face the strongest competition for Canadian readers from foreign publishers. A fourth component, Support for Arts and Literary Magazines (SALM), was also added to the CMF in 2004 to target specific funding to artistic and literary publications.

The key objective of the *Summative Evaluation of the Canada Magazine Fund* was to conduct an assessment of the program. The evaluation examined rationale and relevance, success/impacts of the Fund’s components and cost-effectiveness/alternatives. As the SALM component of the CMF commenced in 2004, it was too early to evaluate its success or impacts.

Methodology

The evaluation included the following research methodologies:

- Literature review;
- Document review;
- Review of project files (n=31);

- Review of administrative data from the programs, as well as statistical data from Statistics Canada and industry sources;
- Surveys of publishers (funding recipients and non-recipients) (n=385);
- Key informant interviews with industry observers, publishers, and association stakeholders (n=48); and
- Four case studies, including three case studies of magazines that received funding through the CMF, as well as a case study of an association that received CMF funding.

Limitations

There is insufficient industry data currently available to adequately assess the impact of the 2003 reorientation of the CMF. The most recent Statistics Canada data was based on the 2003-04 Periodical Publishing Survey and there is limited information available from the administrative databases for the period since program reorientation. In this context, the evaluation provides an assessment of the initial impact of the CMF, and information regarding the impact of the program's reorientation is based largely on survey and other qualitative methodologies.

Findings

Rationale and Relevance

The CMF aligns well with federal priorities and departmental objectives.

The CMF directly addresses the priorities of the federal government as it supports diversity of views and cultural expression and, indirectly, through strengthening Canadian communities. The program also aligns with the strategic outcome of the Department of Canadian Heritage (PCH) that "Canadians express and share their diverse cultural experiences with each other and the world." The re-orientation of the program in 2003, including the implementation of the SALM and a new focus on supporting professional and business development for ethnocultural, minority official language and Aboriginal community publications and extending editorial support to gay, lesbian, bisexual and transgendered (GLBT) publications, was a further step to target the program to the cultural objectives of supporting a diversity of cultural content and views.

It should be noted that, although the implementation of the SALM aligns with the reorientation, key informant interviews indicated that the Canada Council for the Arts would be an effective administering body for the funds, given its longstanding and recognized support for artistic and cultural publications.

The threat of the loss of advertising as a result of heightened competition from foreign publishers, the major original rationale for the CMF, has not yet materialized.

The major original rationale for the CMF was the perceived threat of split run magazines entering into the Canadian market and providing significant competition for advertising, following the signing of the *Canada-US Agreement on Magazines*. The threat has not yet materialized and there is no evidence of a negative change to the advertising revenues of the industry. Monitoring activities, conducted by PCH, of split-run activity and foreign publishers' participation in the Canadian advertising market indicates that none of the five foreign magazines were found to have recurrent Canadian-sourced advertising close to the allowable 15 per cent *de minimus* level.

Canadian magazines still face other longstanding competitive disadvantages with foreign publications, especially at the newsstand.

While the original major rationale for the CMF has not emerged, research suggests that Canadian publications still face competitive disadvantages relative to foreign publications. These include higher per-unit costs given smaller reader populations, low profitability of small-circulation magazines threatening the sustainability and viability of these publications, and challenges in competing at the newsstand given the cost of access to and maintaining a newsstand presence. Given these cost pressures, and the low profitability of Canadian consumer and religious publications, there is a continued need to provide financial support to this industry.

Impact

A reorientation of the CMF was announced in 2003 to target support to paid circulation magazines, priority area publications (e.g., ethnocultural, Aboriginal, and minority official language) and groups representing these publications.

Research findings suggest that the Program has been able to implement many of its expected changes announced in 2003. For example, proposed changes will be implemented to the SID component to allow further access to industry support for groups representing priority area publications. The number of arts and literary magazines that receive support under the SALM component is lower than predicted. However, it should be noted that the original projection was based on figures provided by the Canada Council for the Arts, which does not have the same criteria as the CMF (e.g., requiring a minimum of 80 per cent Canadian content).

The CMF is associated with increasing Canadians' access to Canadian magazines and supporting a greater diversity of titles for readers. Some evidence also suggests that the CMF has enhanced the quality of magazines.

Research indicates that the Canadian publications industry has maintained a diversity of titles, and that the industry has seen a growth in the number of consumer titles since the implementation of the CMF. Publishers and industry observers feel that the CMF has successfully supported a greater diversity of titles and increased access to Canadian content.

With respect to editorial and design expenditures, a proxy measure of magazine quality, CMF recipients contributed a larger share of their total expenses to this area relative to non-recipients and the overall industry. In addition, CMF funding through the SEC and SBDSMP has enhanced the quality of magazines, as shown through recipient magazines' improvements to design and editorial quality, more resources devoted to editorial staff, and some increases to the remuneration of editorial staff.

Research indicates that the CMF has strengthened the infrastructure of the Canadian magazine industry.

The CMF has contributed to strengthening the Canadian magazine industry. This has been achieved through the SID and SBDSMP components.

Overall, SID-funded projects appear to have increased awareness of the Canadian magazine industry among the public, resulted in small increases in retail sales of Canadian magazines, and resulted in increases in subscription sales of Canadian publications. Longer-term outcomes for SID-funded projects are not available.

Survey findings indicate that industry training funded through the SID component was felt by those who participated to be especially useful and to have resulted in improvements to publications. Case studies further support the positive impacts associated with SID/SBDSMP funding.

With respect to CMF recipient and non-recipient industry data available from Statistics Canada, there is some evidence to suggest that the CMF improved the viability of recipient magazines. Although the average profit margin for the magazine industry remained unchanged from 1998-99 to 2003-04, profit margins for CMF recipients increased from 12 per cent to 14 per cent while those for non-recipients decreased from 8 per cent to 6 per cent. However, advertising and circulation revenue as a proportion of total revenues declined for CMF recipients from the pre-funding (1998-99) to the post-funding (2003-04) period. During the same period, the magazine industry as a whole experienced no change in advertising revenue as a proportion of total revenues and a decline in circulation revenue as a proportion of total revenues.

The SEC and SBDSMP components of the CMF are also strongly associated with improved sustainability of magazines, and have strengthened the Canadian magazine industry's infrastructure through increased circulation and revenue generation.

Research indicates that the Support for Editorial Content (SEC) component of the CMF has had only moderate success in increasing the amount of Canadian editorial content in Canadian magazines.

Research indicates that the SEC has had only moderate success in achieving its intermediate outcome of maintaining or increasing levels of Canadian editorial content in publications in receipt of the funding. For example, the average total number of editorial pages for SEC recipients increased eight per cent from 2000-01 to 2003-04. An analysis of characteristics of publications in receipt of multiple years of SEC funding suggests that the program has, however, been successful in increasing the competitiveness of Canadian magazines. The increase in

competitiveness of Canadian magazines is limited to the Canadian market, which was the program component's ultimate outcome.

Research indicates that the Support for Editorial Content component of the CMF may be relatively more beneficial to periodicals with mid-size circulations and to special interest consumer periodicals.

Research indicates there may be a correlation between SEC funding and several industry indicators, including Canadian and total editorial pages, advertising and total revenues and profit margins. For periodicals receiving three consecutive years of SEC funding, periodicals with circulations between 150 thousand and 1 million per year, as well as special interest consumer magazines, appear to have benefited more than other types of periodicals.

The expected outcomes, logic model, and performance measurement strategy of the CMF do not reflect changes to the programs announced in 2003.

Changes to the CMF were announced in 2003 with the purpose of shifting funding resources from Canada's largest publishers to smaller publishers and priority areas, as well as to paid circulation magazines, as they face the strongest competition for readers from foreign competition.

The expected outcomes, logic model, and performance measurement strategy outlined in the Results-based Management and Accountability Framework of April 15, 2004 do not currently reflect these changes to the programs.

Performance measurement is constrained by the limited amount of regularly updated industry-wide data on publications in Canada.

A major constraint in performance measurement for the programs is the limited amount of regularly updated data on the periodicals industry in Canada. While the collection of output and outcome data for recipients of program funding has been undertaken by the Department, there is a lack of regularly updated data that would allow a comparison of recipients and non-recipients, as well as demonstrate changes in the industry overall. The most comprehensive source of data, the Statistics Canada Periodical Publishing Survey, is available on an infrequent basis. It was not possible to adequately assess the program's reorientation since 2003 as the most recent available data was gathered in 2004 and published in June 2005.

Cost-Effectiveness and Alternatives

Alternative program design models may be more effective in achieving program outcomes.

Research indicates that the CMF's design may not be the most efficient method to achieve program outcomes. The design of the CMF has been administratively challenging for the Department of Canadian Heritage, and is not a direct approach in supporting program outcomes.

Other methods (including a reward of support from the Publications Assistance Program (PAP) for the creation of editorial content or the use of a tax credit) may be more direct, efficient, and predictable for publishers. A reward of PAP support, to address a portion of publishers' distribution costs, for the demonstrated creation of editorial content may encourage the development of editorial content and serve to increase the level of access Canadians have to Canadian magazines.

Alternatively, a tax credit may also allow for a wider scope of publications to be eligible for support for the creation of editorial content than currently afforded through the CMF. However, at this time the use of a tax credit may not be feasible. The costs associated with tax-based measures may be significant, and such changes could not be independently implemented by the Department and would require the cooperation of other federal departments (e.g., Department of Finance and the Canada Revenue Agency).

Other funding is available for periodicals, in particular for artistic, cultural and literary publications.

Other agencies, including the Canada Council for the Arts and provincial government organizations, provide funding for publications. This funding is generally for artistic, cultural and literary publications. Available research suggests that most provinces do not have provincial funding available for magazine publishers, however.

Recommendations and Management Response

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

Recommendation 1: Explore alternative funding options that would target support more directly to the production of Canadian editorial content.

The design of government support for the production of Canadian editorial content should be revisited to ensure that the support is directly targeted to achieving the outcome of maintaining or increasing the levels of Canadian editorial content in Canadian magazines. While research suggests that the SEC has been beneficial to publishers in increasing the competitiveness and quality of their publications, the findings suggest that, overall, the funding has not been directly targeted to the production of an increased amount of Canadian editorial content. A more targeted approach, whereby the support provides greater incentives to publishers to produce Canadian editorial content, should be considered.

A more targeted approach to supporting editorial content may be the use of a reward of PAP funding or a tax credit for the production of editorial content. In exploring alternate forms of support, attention should be paid to ensure that the types of support do not disadvantage smaller and/or less profitable publishers.

Management Response: Accepted.

The Department will study whether alternative methods would indeed provide greater incentives for publishers to create editorial content. This study will be conducted in the context of a more detailed examination of the continuing alignment of the Canada Magazine Fund towards achieving evolving public policy goals.

Implementation Schedule: by December 2006

Recommendation 2: Reassess the continued need for the SALM component and if it is to be continued, consider devolving its delivery to the Canada Council for the Arts or, alternatively, consolidating its delivery with other CMF components.

The CMF currently has four components, the smallest of which is the SALM with a budget of \$1 million. Given the lack of strong rationale for the specific funding of artistic and literary magazines by the CMF, as well as the duplication of funding with that of the Canada Council for the Arts (CCA), the need for SALM funding should be reviewed. If the SALM is to be continued, there is a high degree of support for its delivery being transferred to the Canada Council for the Arts. Stakeholders at both agencies, as well as publishers, felt that the CCA would be an effective administering body for the funds, given its longstanding and recognized support for artistic and cultural publications. Stakeholders often felt that the SALM being delivered through the Department of Canadian Heritage caused unnecessary administration for both publishers and the two organizations. Alternatively, if the CMF is to continue delivering the SALM, increased efficiency might be achieved by consolidating its delivery with the SEC component.

Management Response: Accepted.

The Department agrees that there is redundancy between CCA and the Department in the administration of the Support for Arts and Literary Magazines (SALM), and that funding for arts and literary magazines should be the sole responsibility of one funding body. The Department will continue regular SALM funding in 2006-2007 while it reviews the issue.
Completion date: By April 2007"

Implementation Schedule: By April 2007

Recommendation 3: Assess the results of CMF funding by category and size of periodical to ensure optimum results are being achieved.

The CMF's SEC funding may not benefit all types of periodicals equally as periodicals with mid-range circulations and special interest consumer magazines appear to be benefiting relatively more from SEC funding than other types of periodicals. Further research would be necessary to determine which categories of periodicals currently funded benefit the most from SEC funding. If the research indicates that further targeting of funding based on size of circulation or type of periodical would optimize results, changes to the targeting of program funding should be considered.

Management Response: Accepted.

The Department will conduct further research on the long-term results of CMF funding for magazines of different size and category, and will eventually retarget program funding accordingly.

Implementation Schedule: by December 2006

Recommendation 4: The Department of Canadian Heritage should work to increase the regularity of the collection of data on periodicals in Canada, in order to support performance measurement.

The Statistics Canada Periodical Publishing Survey is a key source of data to measure the strength of the periodical industry in Canada. Given that the survey is conducted once every five years, industry data gathered in the survey are not available at sufficiently regular intervals to allow for effective use by the Department for performance measurement or evaluation. New survey data at more regular intervals would enhance performance measurement and program evaluation.

In terms of internal data, information on outputs and short-term outcomes have been collected related to SID-funded initiatives. However, there is a lack of long-term outcomes data that is associated with the relatively short duration of the component. As the program matures, the program should move toward the collection of information to measure the extent to which the component has served to strengthen the infrastructure of the industry. Attention should be given to the collection of data for performance measurement, specifically the impact(s) that publisher participation in training/professional development, distribution and utilization of resources derived from SID-funded initiatives have had on the status of industry infrastructure.

Management Response: Accepted.

The Department will be re-working the Results-based Management and Accountability Framework (RMAF) and the Risk-based Audit Framework (RBAF) for the CMF and the Publications Assistance Program (PAP). The focus will be put on ensuring that information collection strongly supports measurement of outcomes and links to the Cultural Affairs Sector strategic objectives as well as the Program Activity Architecture of the Department.

For broader information about the industry, different options are being explored, including commissioning a special run from Statistics Canada. This will be tied to a Sector-wide approach on gathering cultural statistics.

The Support for Industry Development (SID) component is intended to have long-term outcomes. The Department is currently assembling information on results to date which will be used to inform the specific performance indicator. Results of this initiative will be used in the review of the RMAF of the CMF.

Implementation Schedule: by January 2007

Recommendation 5: The Department of Canadian Heritage should explore processes to improve the efficiency of program delivery.

Currently, administrative expenditures associated with the CMF amount to approximately 11 cents per contribution dollar. Relative to other Canadian Heritage programs, it would appear administrative costs associated with the management of CMF programs are high. A review of program administration may result in greater efficiency in terms of program costs.

Management Response: Accepted.

The CMF was created as part of a policy approach that included collecting information and economic data for use by the Department's periodical sector in the formulation of both policies and programs. CMF therefore bears financial responsibility for many of the policy operations of the Directorate, including assembling information for policy development and research purposes and for the Publications Assistance Program (PAP). These factors have contributed to the relatively high administrative expenses of the program.

The information gathered with CMF resources for the PAP has helped to keep PAP administrative costs low (2 cents per grant dollar). The two programs together spend 4.5 cents per dollar to deliver \$65.4M in funding to the periodical industry.

Nevertheless, program management believes that some greater efficiencies can be achieved in CMF without compromising the value of the information collected for policy purposes, or the program service standards.

Implementation Schedule: June 2007

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
CMFIS	Canada Magazine Fund Information System
CMPA	Canadian Magazine Publishers Association
CPC	Canada Post Corporation
GCIMS	Grants and Contributions Information Management System
GLBT	Gay, lesbian, bisexual and transgendered
PAP	Publications Assistance Program
PCH	Department of Canadian Heritage
SALM	Support for Arts and Literary Magazines
SBDSMP	Support for Business Development for Small Magazine Publishers
SEC	Support for Editorial Content
SID	Support for Industry Development
SODEP	Société de développement des périodiques culturels québécois

1.0 Introduction

The Canadian periodical publishing industry allows Canadians to communicate within and across communities, and share their perspectives and ideas with each other. More than 2,300 Canadian magazines are available to Canadian readers, with 778 million copies of Canadian titles put into circulation each year.¹

In 1999, the Department of Canadian Heritage (PCH) introduced the Canada Magazine Fund (CMF) to safeguard diverse Canadian voices in a rapidly evolving marketplace. The impetus for the creation of the CMF, which was launched in 2000, was the perceived challenges brought on by an increasingly competitive domestic marketplace. In particular, the Canadian magazine and periodical industry faced the possibility of increased competition for advertisers in light of the signing of the *Canada-US Agreement on Magazines*, which allowed foreign publishers new access to the Canadian advertising market. To address this threat, the CMF was created to help keep Canadian costs competitive and to ensure that high quality Canadian editorial content was available in Canadian magazines.

1.1 Purpose of the Evaluation

In order to fulfil Treasury Board reporting requirements, the Department of Canadian Heritage contracted this summative evaluation of the Canada Magazine Fund. This evaluation addresses program relevance, impact, cost-effectiveness, and alternatives. The evaluation primarily addresses fiscal years 2000-01 to 2004-05.

This report presents the evaluation findings, offers conclusions, and provides recommendations. The evaluation framework in the Annex to this report served to guide the research.

1.2 Structure of Report

The report is divided into several sections. Section 2.0 is a profile of the program, and Section 3.0 describes the methodology of the evaluation. Contained in Section 4.0 are the findings of the evaluation. The final section, Section 5.0, includes conclusions and recommendations based on the findings.

¹ Statistics Canada Periodical Publishing Survey, 2003-2004.

2.0 Profile of the CMF

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

2.1 Origins and Overview of the CMF

2.1.1 Policy Framework for Canadian Periodicals²

The federal policy framework for periodicals, which is a combination of funding programs and regulatory measures, is designed to allow Canadian magazine publishers to continue to produce Canadian editorial content and to compete effectively for advertising and readers. Canadian editorial content refers to editorial content (text, photographs, graphics, illustrations) authored or translated by a Canadian citizen or a permanent resident of Canada within the meaning of the *Immigration and Refugee Protection Act*. Canadian editorial content adapted or condensed by a Canadian citizen or permanent resident and derived from content created by a Canadian citizen or a permanent resident is considered Canadian editorial content for the purposes of the CMF. In addition, advertising content refers to paid pages or fractions of pages of a magazine that are designed to convince people to buy products or services from particular suppliers (manufacturer, distributor, or agent) including advertorial material that is specifically designed to resemble editorial content. Charitable, public service and house ads are excluded and are not considered part of the calculation of the magazine's advertising content.³

The CMF supports the production of Canadian editorial content and the Publications Assistance Program supports the delivery of that content to Canadian readers. The CMF also supports professional development and business improvement initiatives for associations as well as publishers of magazines and periodicals serving ethnocultural, Aboriginal and minority official language 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.

The expected results associated with the CMF are as follows: To provide:

- 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 support 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 focus of this evaluation, however, is on support for the Canadian

² Department of Canadian Heritage, *2004 Overview of Federal Policy Measures for Magazines and Newspapers*.

³ Department of Canadian Heritage, *Support for Editorial Content Applicant's Guide 2004-2005*.

magazine industry including Canadian content and industry support. Distribution support provided under the Publication Assistance Program (PAP) has been reported separately.⁴

2.1.2 Origins of the CMF

In accordance with a World Trade Organization ruling on periodicals, the 1999 *Canada-US Agreement on Magazines* repealed certain federal support measures regulating foreign publishers' access to the Canadian advertising market. This change presented the threat that Canadian magazines could face serious losses in advertising revenue and, as a consequence, Canadians' access to quality Canadian content could be limited. Since a publisher's business model is based on advertising, circulation and editorial content, and as all three components are inter-dependent, threats to advertising also threaten circulation levels and the quality and quantity of editorial content.

The Canada Magazine Fund (CMF) was established in 1999 to provide direct assistance to the periodical industry in light of the changing competitive environment. The CMF included components to support the creation of original Canadian editorial content (Support for Editorial Content), and to strengthen the industry (Support for Business Development for Small Magazine Publishers, Support for Industry Development).

Changes to the CMF were announced in July 2003 in light of the success of the *Foreign Publishers Advertising Services Act* and other measures in preventing the entry into Canada of split-run editions of foreign magazines, while still recognizing the strong competition faced by Canadian publishers from foreign competitors. The expected effect of these changes was to reorient the programs to better distribute scarce resources to serve small publishers and priority areas serving diversity as well as for publishers competing for paid circulation. Editorial support was also extended to gay, lesbian, bisexual and transgendered (GLBT) publications under the Fund's existing terms and conditions.

In July 2003, the budget of the CMF was reduced from \$35 million to \$16 million for fiscal year 2003-04. In addition, CMF support was targeted to magazines and publishers competing for paid circulation, as they were felt to face the strongest competition for Canadian readers from foreign publishers. Partial access to a postal subsidy was provided through the Publications Assistance Program for request circulation magazines to mitigate the effects of this reduction for unpaid magazines. A fourth component, Support for Arts and Literary Magazines (SALM), was also added to the CMF for fiscal year 2004 to target specific funding to artistic and literary publications.

2.2 Description of the CMF

The CMF provides support to Canadian magazine publishers for the creation of Canadian content for Canadian readers, to initiatives that improve the viability and business development of smaller publishers, and to broader initiatives that support industry development (including professional development, training, research, marketing and promotion and the recognition of

⁴ Department of Canadian Heritage, *Evaluation of the Publication Assistance Program*, July 2005.

excellence). The CMF is comprised of the following four components, each with its own Terms and Conditions:

- Support for Editorial Content (SEC);
- Support for Business Development for Small Magazine Publishers (SBDSMP);
- Support for Industry Development (SID); and
- Support for Arts and Literary Magazines (SALM).

Table 2-1 provides a breakdown of the number of funded/approved applications by program and program component for the period from 2000-01 to 2004-05.

Table 2-1
CMF – Number of Approved Projects/Titles

	2000-01	2001-02	2002-03	2003-04	2004-05*
CMF: SEC	403	456	488	172	174
CMF: SBDSMP	15	97	55	66	62
CMF: SID	7	5	12	10	17
CMF: SALM	n/a	n/a	n/a	n/a	62
CMF Total	425	558	555	248	315

Source: Department of Canadian Heritage

* As of March 7, 2005

Each of the specific components of the CMF is described in the following sections.

2.2.1 Support for Editorial Content

Support for Editorial Content (SEC) provides funding to eligible Canadian publishers in order to promote the production of Canadian editorial content, the cost of which represents an important competitive disadvantage for Canadian publishers relative to their foreign competitors. The support for the development of Canadian editorial content is intended to provide Canadian readers with a wide variety of high-quality Canadian magazines.

Funding is allocated using a formula-driven model so that the total amount of funds available to an individual magazine is dependent on the number of eligible publishers. The formula-driven model is based on investment in editorial content production.

Changes to the CMF announced in 2003 included the targeting of SEC support to paid circulation magazines, which faced the strongest competition for readers. Specifically, factoring was incorporated into the funding formula to provide greater support for smaller publishers, which incur lower editorial expenses. Consequently, their expenditures are more heavily weighted when the funding formula is calculated. Beginning in 2004, free circulation magazines were no longer eligible for editorial funding through the SEC. Editorial support was also extended to gay, lesbian, bisexual and transgendered (GLBT) publications under the Fund's existing terms and conditions.

To be eligible for the SEC, a magazine must be published by an eligible firm (defined as one that must be majority Canadian-owned and -controlled in fact by Canadians, have its principal place

of business in Canada and respect all contractual agreements with its creators), be published at the time of the application and its process, and have completed a full twelve month publishing cycle and have been in operation for a complete financial year prior to the application.

Two magazine categories were introduced in 2003 to expand access for small publications. Category A magazines (with an average circulation of 2,500 up to 10,000 copies per issue) must also meet the following eligibility criteria:⁵

- Be edited, designed, assembled, published, and printed in Canada;
- Appear in consecutively numbered or dated issues, published under a common title, at regular intervals, not more than once every week, and at least twice every year;
- Have a minimum paid circulation of 50 per cent of total circulation;
- Contain an average of at least 80 per cent Canadian editorial content. Canadian editorial content will be calculated as a percentage of total editorial content;
- Have minimum editorial expenses of \$9,000 per year or an average editorial expense of \$1,000 per issue;
- Contain at least five per cent advertising content and no more than 70 per cent advertising content. Advertising content will be calculated as a percentage of total advertising and editorial content in a magazine; and
- Generate advertising revenues of at least \$20,000.

Category B magazines (with an average circulation of 10,001 copies or more per issue) must meet the same eligibility criteria as Category A magazines, mentioned above, but with a few differences. Category B magazines must:

- Have minimum editorial expenses of \$30,000 per year or an average editorial expense of \$3,000 per issue;
- Contain at least 10 per cent advertising content and no more than 70 per cent advertising content. Advertising content will be calculated as a percentage of total advertising and editorial content in a magazine; and
- Generate advertising revenues of at least \$60,000.

2.2.2 Support for Business Development for Small Magazine Publishers

Support for Business Development for Small Magazine Publishers (SBDSMP) provides project-based funding to small circulation publications for projects that aim to increase circulation, advertising revenue, operational efficiencies, and/or support professional development.

SBDSMP approved funding for individual projects in 2003-04 ranged from \$2,376 to \$78,800, while the average expenditure for this period was \$25,632. The maximum amount that can be disbursed in a fiscal year is \$40,000. Among the 66 projects approved for funding in 2003-04, 21 were awarded less than \$20,000 and four were awarded more than \$40,000.⁶

To be eligible for SBDSMP, the publisher must meet the following criteria:

⁵ Support for Editorial Content Applicant's Guide 2004-05.

⁶ Information provided by the Program. The four projects awarded more than \$40,000 in 2003-04 were multi-year projects.

- Be in operation throughout the application process;
- Be majority Canadian-owned and controlled;
- Total average circulation for all publications must not exceed 50,000 copies per issue;
- Have its principal place of business in Canada; and
- Respect all contractual agreements with its authors.

Magazines must meet the following criteria:⁷

- Be published by an eligible publishing firm;
- Be publishing at the time of application;
- Have completed a full 12-month publishing cycle and have been in operation for a complete financial year prior to application;
- Be edited, designed, assembled, published and printed in Canada;
- Be a printed magazine that appears in consecutively numbered or dated issues published under a common title, at regular intervals, not more than once every week, and at least twice every year;
- Contain an average of at least 80 per cent Canadian editorial content. Canadian editorial content will be calculated as a percentage of total editorial content;
- Contain no more than 70 per cent advertising content. Advertising content will be calculated as a percentage of total advertising and editorial content in a magazine;
- Have a print run of at least 500 copies per issue as well as an average circulation of no less than 250 per issue and of no more than 20,000 per issue; and
- Have total publishing revenues of less than \$500,000 for the printed magazine's most recent financial year.

2.2.3 Support for Industry Development

Intended to benefit the publications industry as a whole, the Support for Industry Development (SID) component of the CMF provides project-based funding for association-based initiatives in the area of marketing, research, promotion, training, and professional development and the recognition of excellence.

During the period of 2000-01 to 2003-04, 34 projects were funded through the component. For 2003-04, 10 projects were approved for SID funding with expenditures ranging from \$5,450 to \$275,462. The average approved expenditure for this period was \$97,932.⁸ In addition, for 2003-04, there were eight multi-year projects that were approved in previous fiscal years.

To be eligible, associations or organizations must meet the following eligibility criteria:⁹

- Represent primarily Canadian magazine publishers, editors, writers, photographers, illustrators or other professionals involved in the creation of Canadian magazines, or foundations who administer awards that recognize excellence in the Canadian magazine industry;

⁷ Support for Business Development for Small Magazine Publishers Applicant's Guide 2002.

⁸ Information provided by the Program.

⁹ Support for Infrastructure Development Applicant's Guide 2000-2001.

- Be incorporated as a non-profit organization under the laws of Canada or a province and majority controlled in fact by Canadians;
- Have an elected or appointed governing body, such as a board of directors, which represents the membership at large;
- Have its head office located in Canada;
- Have a mandate and principal functions of:
 - Representing and informing Canadian magazine professionals;
 - Delivering educational or consultative programs to its members and/or other members of the industry;
 - Promoting Canadian magazines or the services of Canadian magazine creators;
 - Encouraging and/or recognizing excellence in the content and creation of Canadian magazines;
- Charge membership fees (or in the case of an awards foundation, charge entry fees) and have a basic annual program of services; and
- Have been in operation for at least one full financial year prior to application.

2.2.4 Support for Arts and Literary Magazines

The SALM was launched in 2004 with the aim of enhancing the viability of magazines that promote arts and literature in Canada. The purpose of the SALM is to provide smaller literary and arts magazines with additional financial resources to improve and expand editorial production and their investment in editorial talent. The rationale for this support was that arts and literary magazines are fragile and chronically under-capitalized, yet are important to the development and dissemination of Canadian culture. These magazines often have small circulations and non-commercial content and, as a result, have a limited ability to access advertising revenues.

The program provides formula-based funding to magazines recognized by the Canada Council for the Arts. Funding is based on individual magazine expenditures on freelance editorial content and production over the previous year. Contributions are to complement the funding these magazines receive from the Canada Council of the Arts for freelance editorial and marketing costs.

To receive funding through the SALM, magazines must also meet the following eligibility criteria:¹⁰

- Be edited, designed, assembled, published, and printed in Canada;
- Appear in consecutively numbered or dated issues, published under a common title, at regular intervals, not more than once every week, and at least twice every year;
- Have a minimum paid circulation of 50 per cent of total circulation;
- Contain an average of at least 80 per cent Canadian editorial content. Canadian editorial content will be calculated as a percentage of total editorial content; and
- Contain no more than 70 per cent advertising content. Advertising content will be calculated as a percentage of total advertising and editorial content in a magazine.

¹⁰ Support for Arts and Literary Magazines Applicant's Guide 2004-05

2.3 Objectives and Expected Outcomes

The following Table 2-2 outlines the objectives and expected outcomes of the CMF.

Table 2-2
Objectives and Expected Outcomes of the CMF

Objectives	Expected Outcomes
<ul style="list-style-type: none"> Foster the creation of Canadian editorial content in Canadian magazines; Increase Canadians' access to Canadian magazines; Enhance the quality and diversity of Canadian magazines; and Strengthen the infrastructure of the Canadian magazine industry. 	<ul style="list-style-type: none"> Decreased cost of producing Canadian editorial content Maintained or increased levels of Canadian editorial content in Canadian magazines Strengthened industry infrastructure and capacity Greater diversity of titles and content reflective of Canada Enhanced quality of Canadian magazines Canadian readers have maintained or increased access to Canadian editorial content Maintained or increased competitiveness of Canadian publishers

Source: Canada Magazine Fund Terms and Conditions, 2004 and *Support for Canadian Periodicals: Periodical Publishing Programs – Results-based Management and Accountability Framework*, April 15, 2004.

2.4 Program Resources

Table 2-3 shows actual program expenditures by program component for fiscal years 2000-01 to 2004-05.

Table 2-3
CMF Expenditures (\$ Millions)

	2000-01	2001-02	2002-03	2003-04	2004-05
CMF Expenditures					
CMF: SEC	25.00	25.00	25.00	10.00	10.00
CMF: SID	0.78	4.20	4.80	3.00	1.60
CMF: SBDSMP	0.33	2.00	2.20	2.00	2.00
CMF: SALM	n/a	n/a	n/a	n/a	1.00
CMF Total Expenditures	26.10	31.20	32.00	15.00	14.60
O&M – Salaries	n/a	n/a	1.68	1.52	1.48
O&M – Other Expenditures	n/a	n/a	0.37	0.39	0.45
Total O&M	n/a	n/a	2.05	1.91	1.93
Total G&C and O&M	n/a	n/a	34.05	16.91	16.53

Source: Department of Canadian Heritage

2.5 Governance

The Canada Magazine Fund is managed by the Publishing Policy and Programs Branch of the Cultural Affairs Sector. Under this branch is the Periodical Publishing Policy and Programs

Directorate. The Directorate includes managers of CMF, PAP, Planning and Development, 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 overall design, management and results of the CMF. It also conducts research and develops policy related to the Canadian magazine and periodical industry and provides information and advice to industry and the federal government on industry issues.

3.0 Methodology

This evaluation report presents results of research undertaken by two contractors: R.A. Malatest & Associates Ltd. and Jo-Ann Cleaver. Jo-Ann Cleaver completed a literature review and R.A. Malatest & Associates Ltd. conducted a document review, a review of project files, data analysis, publisher surveys, key informant interviews and case studies.

3.1 Evaluation Questions

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

Rationale and Relevance

- Are the program's mandate and objectives consistent with current departmental objectives and federal priorities?
- Is there a continued need for the government to support the production of Canadian content magazines and periodicals?

Results

- How successful has the CMF been in "safeguarding diverse Canadian voices" by:
 - supporting the development of Canadian editorial content in Canadian magazines?
 - strengthening the infrastructure in which the Canadian magazine industry operates?
 - Supporting the development of editorial content in small, high-quality, Canadian cultural magazines?
- Have there been any unintended impacts as a result of the CMF?

Cost-effectiveness/Alternatives

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

3.2 Lines of Inquiry

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

presented in this report; findings relating to the PAP are presented in a separate report. The research methodology was as follows:

Literature Review

The literature review was conducted in late 2003-04. The focus was on continued need for CMF, impacts, and support for periodicals in other countries. The contractor was also asked to provide a short list of individuals who might speak to evaluation issues.

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, CMF Terms and Conditions, applicant and program guidelines, research reports undertaken by the Department of Canadian Heritage, industry research, and trade magazines. A document review was prepared and its findings included in this report.

Review of Project Files

A review of selected project files was undertaken in order to address evaluation issues pertaining to program impact and adequacy of performance measurement.

A sample of selected project files for the 2000-2004 period was reviewed at the Department of Canadian Heritage. The review included 24 SEC files, 3 SID files and 4 SBDSMP files. A file review report was prepared and its findings included in this report.

Data Analysis

Data analysis was undertaken using a variety of sources. Statistics Canada data from the 1998-99 and 2003-04 Periodical Publishing Surveys were examined to provide an assessment of the impact of CMF funding on editorial and design expenses, advertising revenue, circulation, and profitability. The analysis included a comparison of publications that received at least one year of funding with non-recipients and the overall industry.

Data from the Department of Canadian Heritage's Canada Magazine Fund Information System (CMFIS) was analysed in order to look at the impact of the programs. Data was compiled for recipients of multiple years of funding for both the SEC and SBDSMP programs, in order to examine the degree to which those who had received multiple years of funding had witnessed changes in a number of areas (including circulation, advertising revenue, and amount of Canadian content).

Publishers' Surveys

Four surveys were conducted as part of a joint evaluation of the CMF and the PAP:

- A survey of publishers of magazines in receipt of SEC funding (n=164);
- A survey of publishers in receipt of SBDSMP funding (n=85);
- A survey of publishers who applied for but did not receive SEC funding (n=57); and
- A survey of publishers of publications who had been receiving PAP but whose PAP funding was not continued (n=79).

Questions related to the Support for Industry Development program were also asked of respondents in all surveys.

Survey samples were drawn from program administrative data. Where a publisher published more than one publication, one publication was randomly selected, and the publisher was 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 surveys were completed, for an overall response rate of 46 per cent. Review of the survey data for this evaluation indicates that the sample is representative of the Canadian magazine industry. A report on this research was prepared and the key findings are included in this report.

Key Informant Interviews

Key informant interviews were undertaken with 46 individuals with specific knowledge of the CMF, or who had relevant knowledge of the magazine or periodicals industry. Interviews were undertaken with:

- Department of Canadian Heritage representatives (n=6);
- Industry association representatives (n=9);
- Publishers (n=26);
- Industry observers (n=4); and
- Canada Council for the Arts representative (n=1).

Interviewees were suggested by the Department. Publishers included publishers of periodicals supported and not supported by the CMF. Potential respondents received a letter from the department prior to telephone contact. Most interviews were completed by telephone; a small number were in-person. A report on this research was prepared and its findings included in this report.

Case Studies

Case studies were undertaken with:

- Three magazines (one large, English-language general consumer magazine, one English special interest consumer magazine and one small, special interest consumer French-language magazine) that had received CMF funding; and
- A regional publishers' association in receipt of SID funding.

Case studies included several in-person key informant interviews, as well as document, administrative data and file reviews. The result in each case was a profile of how CMF funding had been used and impacts of funding. Reports on the case studies were prepared and taken into account in development of this report.

4.0 Findings

4.1 Rationale and Relevance

This section of the evaluation addresses the following issues:

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

4.1.1 Alignment with Departmental Objectives and Federal Priorities

Alignment with PCH Objectives

The Department's Program Activity Architecture (PAA) literature¹¹ 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 Canada Magazine Fund.

The PAA description says PCH arts and cultural programs permit continued production of Canadian works, widespread appreciation of the richness of Canadian culture and perspective, and sustainable revenues for cultural organization, thereby contributing to Canadians' access to and participation in Canada's cultural life. The Canada Magazine Fund helps to ensure that production of Canadian editorial content in publications is maintained or increased through support for editorial content and through strengthening the industry infrastructure so that Canadian magazines can remain competitive. The expected result is that Canadian readers have a maintained or increased access to a wide variety of Canadian editorial content.

The alignment was strengthened by the 2003 program reorientation that increased access to CMF support for arts and literary magazines, and ethnocultural, Aboriginal and official-language minority periodicals. The reorientation was intended to focus the program on the achievement of cultural goals versus economic goals.

The PAA description is predicated on two assumptions, neither of which has been tested by program staff or through this evaluation. One is that Canadian-authored content will in large part be Canadian content. The other is that Canadian content, e.g., writings by Canadian authors, will be such that it increases readers' appreciation of the richness of Canadian culture.

Alignment with Federal Priorities

Besides a link with PCH objectives, there is a clear link between CMF objectives and federal priorities.

In the October 5, 2004 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

¹¹ Department of Canadian Heritage's Program Activity Architecture, Strategic Outcomes and Results Chain, undated, pages 59 and 63.

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.”¹²

Similar to the PAA link, this linkage has been strengthened by the 2003 program reorientation to better meet the needs of priority areas of publications serving diverse communities.

4.1.2 Need for Support

The original purpose of the CMF was to focus on reducing the effects of lost advertising revenue of Canadian publishers during its first three years and, in the longer term, provide assistance to ensure that Canadian publishers continue to produce high levels of Canadian content through a diversity of Canadian magazines. The CMF was also to address the following competitive challenges and barriers to growth faced by the Canadian magazine publishing industry:

- Foreign publishers have access to the Canadian advertising market, increasing the competition for advertising revenue for Canadian magazines. There is also increasing domestic competition for advertising revenues from other media, such as television and the Internet.
- Foreign competitors set low cover prices, which are difficult to match for Canadian publishers, who have higher per unit costs.
- Important niches are filled or dominated by foreign competitors, such as the general interest sports and women’s markets.
- The cost of producing editorial content is high, relative to the size of the market served.
- Similar to other Canadian businesses, magazine publishers need to invest in Internet-based services, to stay competitive in an international context.
- Domestic distribution systems favour the placement of high-selling US titles on the newsstand.
- Small publishers have difficulty financing circulation, marketing and promotion initiatives that could expand their access to readers and advertisers.
- In addition, other challenges have become clear. Creators for small circulation magazines are not paid at market rates and the cost of promotion on the newsstand is very high (90 per cent of newsstand sales are from the United States).
- Investment in the professional development of workers and the introduction of new talent is required to maintain a successful and sustainable industry with a diverse and innovative workforce.

However, research demonstrates that the market has not changed dramatically since 1999. The anticipated entry of foreign split runs has not materialized and the share of advertising in the Canadian market does not appear to have been impacted significantly.

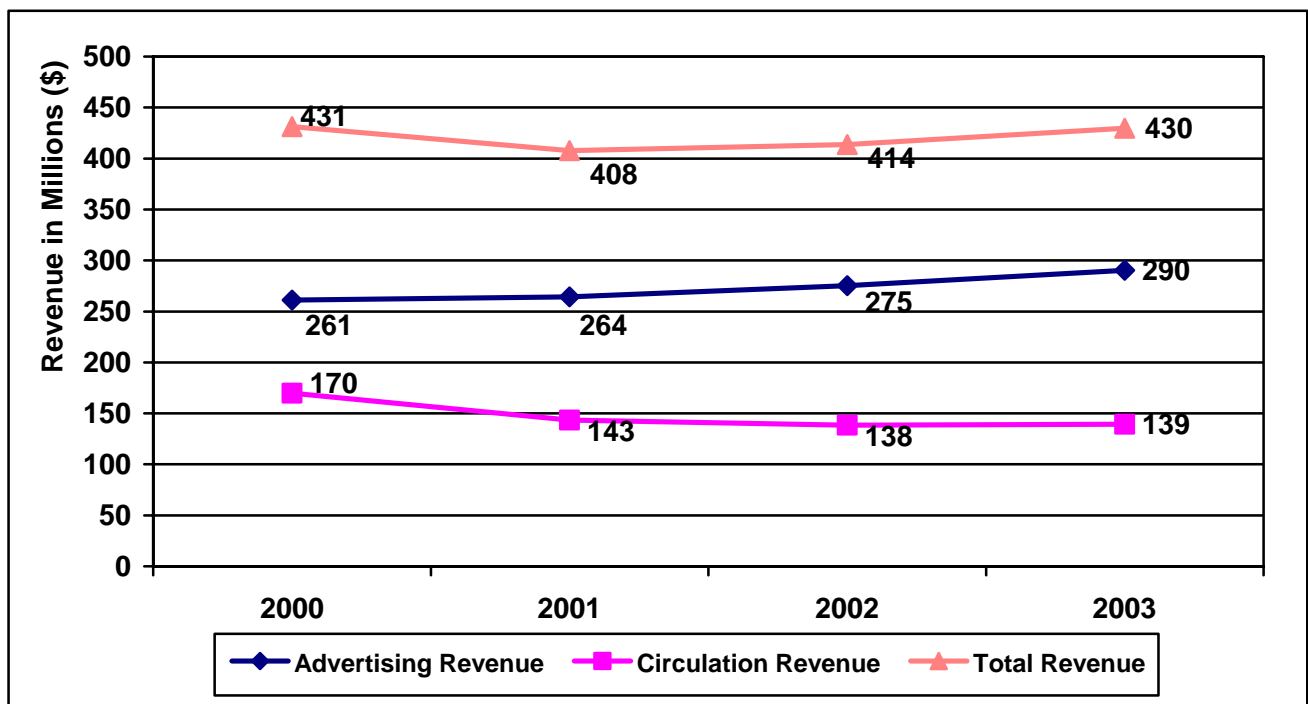
Since the implementation of the *Foreign Publishers Advertising Services Act*, the Periodical Publishing Policy Branch of PCH has monitored split-run activity and foreign publishers’ participation in the Canadian advertising market. Monitoring activities indicate that only five foreign magazines were found to have Canadian-sourced advertising on a recurrent basis, and none of these magazines was close to the current *de minimus* level allowed of 15 per cent.

¹² Governor General of Canada. Speech from the Throne. 5 October, 2004. p11.

International Federation of the Periodical Press (FIPP) data shows that the proportion of revenue from advertising in Canadian consumer magazines from 2002 to 2004-05 has remained virtually constant at about 59 per cent. This proportion is slightly below that in the United States, but higher than other comparable countries.

Industry data also provides information on the advertising and circulation revenue for the top 25 magazines in Canada. As demonstrated in Figure 4-1, total revenue remained virtually the same throughout the period for these magazines, and advertising revenue actually increased. While this data is only available for the largest magazines in Canada, the findings are relevant since it is likely large magazines that would be most threatened by foreign competition.

Figure 4-1
Advertising and Circulation Revenue of Top 25 Canadian Magazines from 2000-2004



Source: Masthead Magazine May 2001, May 2002, May 2003, May 2004.

Note: Top 25 Magazines by Revenue (six months, ending December 31 of every year).

The original rationale for the CMF does, however, address a more general concern with the challenges to Canadian publishers operating in a competitive environment where they cannot duplicate the cost advantage of foreign publishers, particularly at the newsstand in the English language market. These challenges include the proximity of Canada to a much larger, culturally-similar marketplace, the impact of that proximity on Canadian publishers, the existence of a more limited French language market with a limited export market, low profitability of publishers, and rising distribution costs.

Proximity

Certain characteristics of Canadian culture render Canada particularly sensitive to the cultural hegemony 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.¹³

Demographic factors also facilitate US cultural hegemony. 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.¹⁴ 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.¹⁵

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.¹⁶

US magazines account for 50 per cent of magazine sales in Canada.¹⁷ 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 PCH in 2004, 50 per cent of all Canadian magazine copies are paid subscriptions, while only 13 per cent are sold as single newsstand copies; 37 per cent of copies are delivered free (controlled) to selected businesses and households.

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 large-scale publication runs in the US.

Newsstand presence is a key marketing and promotion feature, one of the most effective ways to increase market share. Without it, more expensive advertising 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 that Canadian magazines accounted for just 10 to 15 per cent of total retail magazine sales in Canada¹⁸ (American competition is less of a threat in Quebec, because of language).

¹³ FIPP. "Canada: Focus – North America" Consumer commentary by Magazine Publishers of America., 2002a. <http://fipp.com/979>

¹⁴ 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.

¹⁵ Matheny, 1998.

¹⁶ PCH. Draft of "Assessment 2000-2003: Canada Magazine Fund: Support for Business Development for Small Magazine Publishers." 2004.

¹⁷ <http://fipp.com/979>

¹⁸ Taking Back the Rack: Amid New Challenges, Canadian Magazines Compete for Visibility on the Newsstands. Abacus Circulation, 2003, p5.

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 given their relatively low profit margins.

A study for the Canadian Magazine Publishers Association 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.”¹⁹

Low Profitability of Canadian Publications

Periodical survey data from Statistics Canada for 2003-04, the most recent available, showed 37 per cent of publications operated at a loss. The average profit margin (i.e., profit as a percentage of total revenues) was 10 per cent for Canadian periodicals. Business/trade, farm and scholarly publications were the most profitable, with profit rates between 12 and 18 per cent. General consumer, special interest consumer, and religious publications, which represent slightly more than one-half of total industry titles, had nine, seven and six per cent profit margins, respectively.

The Alberta Magazine Publishers' Association published a *Periodical Industry Profile* in 2003 indicating that Alberta magazines, on average, operate at a loss.²⁰

Seventy-three per cent of the total number of Canadian magazines are small-circulation magazines that have a circulation under 20,000 copies, operating with, on average, two full-time employees, one part-time employee, and three volunteers.²¹

A 2002 industry study indicates that American magazines are significantly discounted at the newsstand and that many titles sell for less in Canada than in their home market. Impresa Communications found that a sample of major U.S. titles were for sale on Canadian newsstands for, on average, 15 per cent less than would be expected based on currency exchange rates, approximately 99 cents less per copy.²²

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.²³

¹⁹ CMPA, 2002: 13.

²⁰ AMPA, 2003: 4.

²¹ Statistics Canada Periodical Publishing Survey, 2003-2004.

²² Impresa Communications for the Canadian Magazine Publishers Association, *Competitive Pricing and Cost Advantages of US Magazines in the Canadian Market*, March 1, 2002.

²³ U.S. Periodical Prices – 2004. Brenda Dingley for the U.S. Periodical Price Index. *Canadian Statistics from Statistics Canada*, CANSIM Table 326-0001.

Rationale for Reorientation of the Program

The cultural mission of the CMF had been a secondary aspect of the program since its implementation, as demonstrated through the original provision for support for small cultural magazines. The re-orientation of the program in 2003 was a further step to target the program to the cultural objectives of supporting a diversity of cultural content and views. This re-orientation included targeting future assistance at paid circulation magazines, through the elimination of the eligibility of non-paid (mostly business and trade) magazines for SEC support, and at priority areas reflecting Canada's diverse nature. This reorientation included the implementation of the Support for Arts and Literary Magazines component of the CMF, and a new focus on supporting professional and business development for ethnocultural, minority official language and Aboriginal community publications. Access to editorial support was also extended to GLBT publications. The announced changes also included a reduction in the budget of the CMF from \$35 million in 2003-03 to \$16 million, with the reductions to be phased in over two years.

The evidence from this evaluation suggests that without the CMF there would likely be a decrease in Canadians' access to Canadian magazines, fewer high quality magazines, and a weaker overall industry infrastructure. The reorientation of the program to meet the cultural objective of supporting diversity effectively matches the needs of small publishers, paid circulation publications and a diverse range of priority areas seeking assistance for industry support.

A particular need for the SALM component of the CMF is, however, less clear. Arts and literary magazines already receive funding that is not available to other types of publications through other agencies, such as through municipal and provincial programs and the Canada Council for the Arts. The Canada Council for the Arts offers writing and publishing grants to Literary and Arts Magazines.²⁴ 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. While the component does align with the program's cultural mission to support a diversity of views, the program overlaps with existing support for cultural publications.

4.2 Impact of the CMF

The impact of the CMF will be assessed from three perspectives:

1. An assessment of the Program's reorientation since 2003;
2. An examination of the CMF's results related to its immediate and intermediate outcomes for:
 - Industry development support; and
 - Editorial support.
3. An examination of the CMF's results related to its ultimate outcomes.

²⁴ <http://www.canadacouncil.ca/grants/publishing/wrsh15-e.asp>

4.2.1 Assessment of the Program's Reorientation

As previously stated, the reorientation of the CMF announced in 2003 was to target funding for publications competing for paid circulation, and more effectively serve priority areas reflecting Canada's diverse nature. In addition, a component to support arts and literary magazines was to be introduced.

In 2003-04, eligibility for SEC funding was limited to paid circulation magazines, and the budget of the component was decreased from \$25 million to \$10 million. Eligibility criteria and funding were also altered to target more funding for smaller magazines. In addition, Aboriginal, ethnocultural, gay/lesbian/bisexual/transgendered and minority official language magazines were exempted from meeting the new minimum 50 per cent paid circulation eligibility requirement.

There has been a delay in implementing all changes within one year. In order to further support ethnocultural, Aboriginal and minority official-language publications, changes will be made to eligibility criteria for SID funding, so that groups representing these priority areas are not excluded based on not charging member fees or not having elected governing bodies. However, the organizations must still be not-for-profit, be in operation for one year and have their headquarters in Canada to be deemed eligible. The CMF has been working with these groups on developing projects and analysing their capacity to undertake projects. Some groups have worked to change their status from for-profit to not-for-profit during this time so they will be able to take advantage of SID funding.

In 2004, the Support for Arts and Literary Magazines component was established. As of March 2005, this program had provided editorial support for 62 artistic and literary magazines, below the approximately 100 arts and literary magazines that were predicted. This is due to the difference in Canadian content criteria between the Canada Council and the CMF.

Although these findings suggest that the program has been able to implement many of the changes it had proposed for its reorientation, the lack of current industry data from Statistics Canada and the administrative databases makes it difficult to provide a quantitative assessment of the impact of the program's reorientation. However, qualitative assessments are provided by case studies and publisher surveys, which are discussed throughout this section.

4.2.2 Results of Industry Development Support

Strengthened Industry Infrastructure and Capacity

The expected immediate outcome of the CMF's industry development support is strengthened industry infrastructure and capacity. This outcome is expected to be met through the Support for Industry Development (SID) component of the CMF, which has provided funding for association-based collective marketing/promotion, training, recognition of excellence and for initiatives to strengthen domestic distribution networks. It is also expected that the Support for Business Development for Small Magazine Publishers (SBDSMP) – which funds projects for small magazines to improve marketing, circulation, promotion and professional development – will also achieve this outcome.

File reviews and one case study were conducted to ascertain the activities, outcomes, and impacts of projects that received support from the SID component. In total, three SID-funded industry association projects (two provincial, one national) were examined in detail.

Project components varied considerably in scope. For example, one project focussed on the promotion of Canadian magazines and increasing subscription sales for its member magazines. Key activities included the planning, implementation and management of an ad campaign, point of sale promotions at retail outlets, direct mail campaigns and web-based subscription promotions.

Another association project focussed on promotional and training activities, as well as web site and database development. Key activities for this initiative included: a branding and membership drive; development and management of a promotional week with specific industry-related events fostering the interaction between industry professionals, advertisers, students and the general public; training and professional development activities (e.g., clinics, seminars); web site and database construction development; as well as a magazine industry study.

The third project focussed on training activities, web site and equipment upgrades, and the development of publishing information and e-commerce technologies. Key activities for this project included training and professional development (e.g., travelling consultants, bursaries and scholarships, seminars, workshops, etc.), investment in web-based publishing software modules, as well as promotional activities and a magazine industry study.

Information from the files reviewed indicates that the SID initiatives have served to strengthen the infrastructure of the industry, although longer-term outcomes data is not available for these initiatives.

For example, the development and distribution of the “how-to” publishing guide to members, advertisers, educational institutes, high schools, and libraries served to encourage collective efficiencies in the creation, publishing, and distribution of Canadian magazines.

The reviewed projects expanded the training and professional development opportunities for Canadian publishers. Access to training in publishing practices was enhanced by the seminars and workshops on design, editing, advertising sales, and circulation provided by the project components. A significant example of the expansion of training opportunities for Canadian publishers is a project that included a traveling consultant initiative. In this component, consultants with specific skills were matched with magazines requiring professional consulting. These consultants traveled to publishers to provide one-on-one training to address specific publishing challenges. In total, 13 consultations were completed with publisher association members in 2002/03.

Case study findings verify that SID-funded activities enhance training and professional development opportunities. Key informants reported that SID-funded initiatives provided access to training and professional development opportunities that are generally difficult to find for those in the publishing industry. One individual felt that the specialized training received by his/her employees served to develop their skill sets at a more rapid pace than learning in the workplace or on-the-job.

The case study also indicated that the traveling consultant initiative provided participants with tangible, specialized information that was used regularly. One informant reported that the advice and/or learned techniques were frequently utilized during editorial meetings and to inform editorial decisions.

The SID-funded projects also served to increase the effective use of evolving e-business technology and practices of publishers. Equipment and web site upgrades were key components in each project. One association's web site was upgraded to provide autonomous home page management and enhanced access for members to edit and update the text and advertising on their magazine's member page on the association web site. One association also invested in web-based publishing modules to help its members with sales, subscriptions, distribution and business planning.

Another key component of each project was research that served to increase the information base for the magazine industry and policy makers. National and provincial market studies were conducted to facilitate analysis of the magazine industry that may contribute to the development of efficient action and business planning in the future. The research conducted by the provincial associations met the need to update information collected in previous research that was, on average, three to five years old.

Research indicates that the projects have contributed to increasing the profile of Canadian magazines. For example, following the promotional event, the Internet search hits for the host association's web site increased by 61 per cent, while the site visits increased by 54 per cent. In addition, research undertaken for the association found that small increases were seen in the ability of Canadians to identify Canadian magazines.²⁵

Another indication of increased profile of Canadian magazines is the sales results of the point of sale promotion. The point of sale promotions in three retail magazine and bookstore chain outlets included the use of displays, backing cards, and end cap promotions. The activities associated with this component resulted in a modest short-term increase in sales of five per cent over industry trending at the newsstands for participating magazines.

The case study also indicated that SID-funded initiatives contribute to the connection between the publishing industry and potential new sources of talent. One association-based initiative included an internship program. It was indicated that this program served to provide interns with valuable on-the-job experience and with opportunities to develop contacts within the industry for future employment opportunities.

Surveyed publishers demonstrated a high level of agreement that SID-funded initiatives had positive impacts on the industry. As shown in Table 4-1, publishers who participated were, in general, most positive about industry association training: 93 per cent agreed that the training had been useful, and 84 per cent agreed that the training and professional development had resulted in improvements to their magazine or periodical. However, only about one-half (53 per cent) indicated that new business opportunities had increased due to the training and professional development.

²⁵ *Research Report To the CMPA on the NCPP Campaign 2003*, Totum Research Inc., March 15, 2004.

**Table 4-1
Publisher Opinions on Impact of SID**

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
Collective Marketing and Promotion				
Collective marketing and promotion project(s) by an association have improved awareness of my magazine(s) or periodical(s) in the domestic market.	63.0%	20.4%	14.8%	1.9%
Collective marketing and promotion projects by an association have improved awareness of my magazine(s) or periodical(s) in international markets.	14.8%	31.5%	38.9%	14.8%
Creators of magazine or periodical editorial content have benefited from collective marketing and promotion initiatives.	56.3%	25.3%	12.6%	5.7%
The collective approach to marketing allowed my magazine or periodical to do something it could not have done alone.	54.0%	17.2%	25.3%	3.4%
Association initiatives have raised the profile of magazines and periodicals among advertisers and readers.	56.6%	23.4%	14.5%	5.5%
Industry Association Training				
Training and professional development initiatives sponsored by industry associations have been useful.	92.4%	5.4%	2.2%	0.0%
Industry association training and professional development programs have resulted in improvements to my magazine or periodical.	84.8%	13.0%	2.2%	0.0%
New business opportunities have arisen due to the training and professional development opportunities.	53.3%	30.4%	16.3%	0.0%
Association-based Initiatives to Strengthen Domestic Distribution Networks				
My magazine or periodical has benefited from collective initiatives designed to strengthen domestic distribution networks.	67.2%	14.8%	16.4%	1.6%
These initiatives have contributed to increased circulation of my magazine or periodical.	49.2%	21.3%	26.2%	3.3%

n=54-145

Source: SEC Recipient Survey, QG2, G4, G6 and G8

More than one-half reported that the SID-funded projects were beneficial to creators of editorial content (56 per cent), and they allowed their magazine/periodical to do marketing and promotions that they could not have done alone (54 per cent). While 40 per cent of these respondents felt that the association projects had not improved awareness of their magazine/periodical in international markets, more than one-half felt the projects had raised awareness of their publication(s) in the domestic market (63 per cent), as well as among advertisers and readers (57 per cent).

Similarly, the majority of respondents (67 per cent) felt their magazine/periodical benefited from collective initiatives designed to strengthen domestic distribution networks. Approximately one-half (49 per cent) felt that the initiatives had contributed to increased circulation of their magazine/periodical.

Interviewed key informants were similarly positive about the extent that the SID funding had strengthened associations and, as a result, the infrastructure of the industry. It was widely felt in the industry stakeholder interviews that associations have played a more pivotal role in the industry as a result of CMF support. Associations were felt to have widened their support and buy-in in the industry, and regional associations in particular were said to have been strengthened.

Research also indicates that SBDSMP funding for publishers of small magazines has helped to strengthen the industry infrastructure and capacity. SBDSMP has supported a variety of initiatives for small magazine publishers, including, most commonly, circulation initiatives such as direct mail campaigns and subscription drives, newsstand promotions, and special events such as the development of trade-show exhibits and attendance at shows.

Based on a review of recipient files, self-reported impacts of SBDSMP project funding noted in recipient project reports included the following:

- A website improvement for a French-language magazine resulted in an increase in subscriptions of approximately 50 per cent;
- The number of advertisers had increased and subscriptions had grown by five per cent following an advertising and circulation campaign for one specialty magazine;
- Subscription and newsstand sales had immediately increased for one magazine with a circulation of approximately 3,000 copies per issue. Subscriptions increased by 43 and newsstand sales increased by 292 copies; and
- Market research information funded through a SBDSMP-funded project immediately resulted in a new ad contract for one magazine, and 15,000 copies of a special edition partly funded through SBDSMP were distributed at a special event.

These impacts link well to program outcomes and were the results of project funding.

In examining the administrative data for magazines receiving multiple years of SBDSMP funding, positive changes were noted in terms of the sustainability of recipient magazines. For example, 73 per cent of magazines that received at least two years of support during the course of the program (n=15) showed an increase in total circulation from 15,283 to 20,735 copies. Overall, on average these magazines exhibited an increase from 14,667 to 17,955 copies circulated per year. This database contained insufficient information associated with revenues, expenditures, and profitability for analysis.

Surveyed publishers who had received SBDSMP funding were also positive about the extent to which the program had impacted on their magazine, and thereby helped to strengthen industry capacity. As noted in Table 4-2, a high proportion of publishers agreed that the program had ensured the financial viability of their periodicals (73 per cent), enhanced business practices (72 per cent), and helped to enhance the competitiveness of their magazine (72 per cent).

**Table 4-2
Publisher Opinions on Impact of SBDSMP**

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
SBDSMP funding has helped to enhance the advertising revenue of our magazine or publication.	47.1%	24.7%	16.5%	11.8%
SBDSMP funding has helped to enhance the subscription sales of our magazine or publication.	77.6%	7.1%	7.1%	8.2%
SBDSMP funding has helped to enhance the level of expenditures for marketing and promotion.	70.6%	16.5%	4.7%	8.2%
SBDSMP funding has enabled our organization to improve the quality of our business practices.	71.8%	14.1%	5.9%	8.2%
SBDSMP funding has enabled our organization's management to focus on distribution.	54.1%	27.1%	8.2%	10.6%
SBDSMP funding has helped to ensure the financial viability of our magazine.	72.9%	14.1%	8.2%	4.7%
SBDSMP funding has helped to enhance the competitiveness of our magazine or publication.	71.8%	16.5%	3.5%	8.2%

n=85

Source: SBDSMP Recipient Survey QC4b, QC4d, QC4i – QC4m.

Surveyed publishers who had received SBDSMP funding were also generally in agreement that the program had positive effects on the accessibility of their publication. A high proportion of publishers agreed that the program had increased circulation of their magazine (79 per cent), as well as their subscription sales (78 per cent).

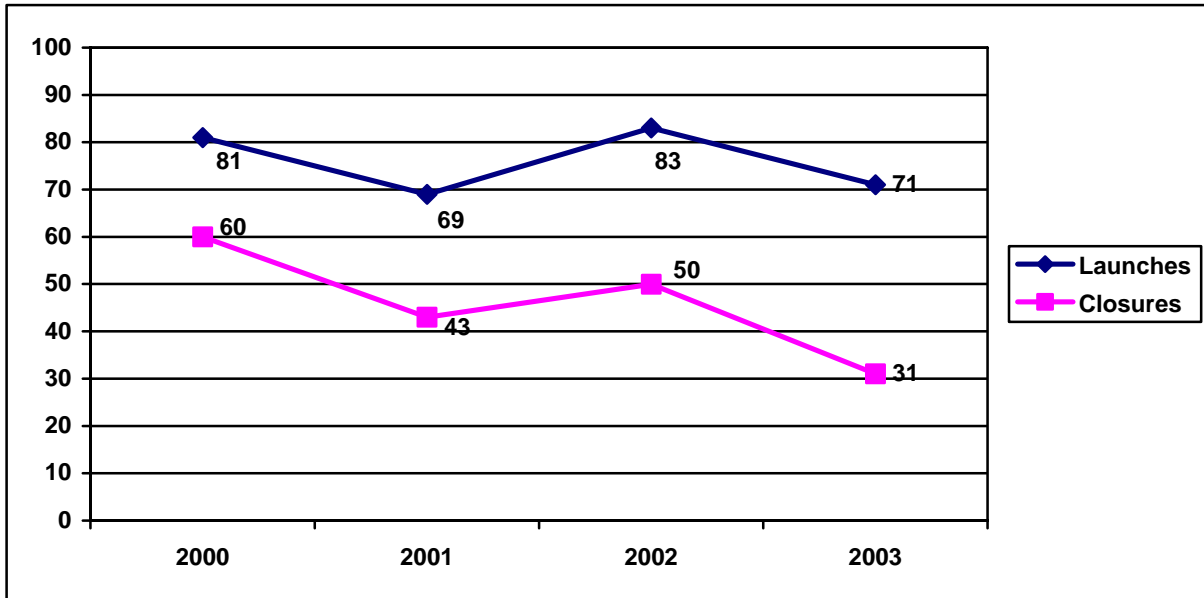
Greater Diversity of Canadian Titles and Content Reflective of Canada

Research indicates that the Canadian magazine industry has continued to offer a diversity of publications with Canadian editorial content. According to the Statistics Canada Periodical Publishing Survey, the total number of Canadian consumer magazine titles increased from 2,027 in 1998-99 to 2,383 in 2003-04, an increase of 18 per cent. All magazine categories, with the exception of religious, exhibited an increase in the number of titles published during this period. The largest increases were shown for general consumer (42 per cent) and farm publications (29 per cent). In addition, a recent profile of the Canadian industry compared to that of other countries demonstrates that the Canadian industry continues to expand in terms of the number of magazine titles available. 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.²⁶

In addition, industry tallies of the number of launches and closures of Canadian magazines in the period of 2000 to 2003 show the number of new magazine launches remained between 69 and 81 per year, and the number of closures has, overall, trended downward, from 60 in 2000 to 31 in 2003, as shown in Figure 4-2.

²⁶ International Summary, FIPP/ Zenith Optimedia World Magazine Trends 2002/03 – 2004/05.

Figure 4-2
Launches and Closures

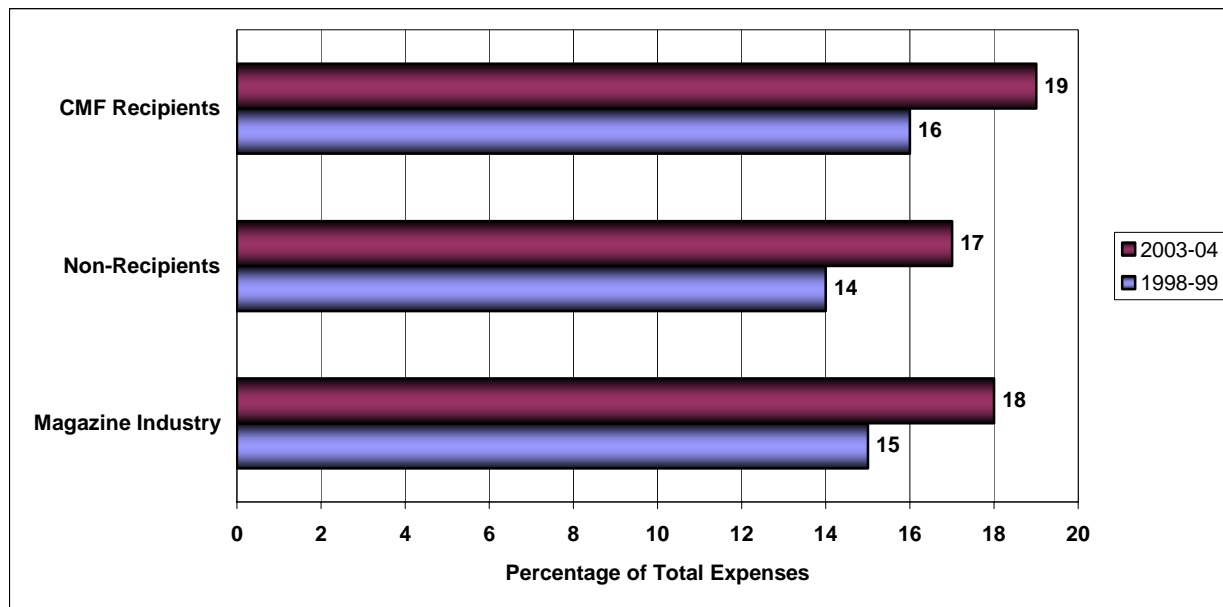


Source: Masthead Magazine March 2004

Enhanced Quality of Canadian Magazines

Enhanced quality of Canadian magazines is an expected outcome of industry support from the CMF. A proxy measure for enhanced quality is editorial and design expenses incurred by magazine publishers, an indicator which is included in the 1998-99 and 2003-04 Statistics Canada Periodical Publishing Surveys. It is expected that the proportion of total expenses allocated to editorial and design would increase for CMF recipients from the pre-funding (1998-99) to the post-funding (2003-04) period. As illustrated by Figure 4-3, magazines that received at least one year of CMF funding contributed a larger share of their total expenses to editorial and design relative to non-recipients and the industry average. However, non-recipients and the overall industry also experienced an increase in editorial and design-related expenditures.

Figure 4-3
Editorial and Design Expenses for CMF Recipients, Non-Recipients and the Magazine Industry: 1998-99 to 2003-04



Source: Statistics Canada Periodical Publishing Survey

Note: Sample sizes are as follows: CMF recipients: n=369 (1998-99 and 2003-04); Non-recipients: n=1,658 (1998-99), n=2,014 (2003-04); Magazine Industry: n=2,027 (1998-99), n=2,383 (2003-04).

From SEC recipient reports compiled by the program, the following data demonstrates that editorial support had resulted in improvements in many areas for periodicals, suggesting that the quality of magazines has increased:

- 63 per cent of publishers stated that the funding had allowed them to improve editorial content;
- 57 per cent stated that more freelancers or contractors were used;
- 46 per cent stated that they had hired more editorial personnel;
- 39 per cent stated that they had maintained editorial spending;
- 35 per cent stated that they had increased their remuneration for editorial staff;
- 34 per cent stated that the support had allowed for redesign of the magazine;
- 33 per cent stated that it had allowed for more research;
- 32 per cent stated that it had allowed for more Canadian editorial content; and
- 24 per cent stated that they had introduced more (or new) columns, features, sections, departments.

Incremental improvements in the quality of magazines or periodicals may also be measured by the number of awards that have been won by SEC recipients. There was a significant increase in the proportion of magazines/periodicals that won awards in 2001-02 (29 per cent) compared to

2000-01 (two per cent).²⁷ However, individual awards or recognition may not be representative of changes in quality for all SEC recipients.

Key informants also suggested that Canadian magazines have improved in quality as a result of CMF funding, such as through more editorial staff, use of designers to improve the look of magazines, and through other methods (e.g., professional development, use of freelance writers, etc.).

Case study findings tend to verify these improvements in the quality of Canadian magazines. For example, one small circulation magazine used CMF support to hire more staff, increase its use of freelance editorial talent, redesign its cover page, and expand sections and features and attract new advertisers. Two large circulation case study magazines similarly used CMF support to make more use of freelance editorial talent. However, CMF support was also used to increase editorial staff assignments and to use Canadian editorial talent to cover assignments or stories outside of Canada for Canadian readers. In addition, one magazine used CMF support to conduct readership research (e.g., focus groups, surveys) to inform editorial staff on areas for change in editorial content.

It should be noted that the contextual analysis conducted during file reviews indicated that there were perceptible qualitative improvements in the sample copies of magazines in receipt of CMF funding that may not be captured by quantitative methods currently employed by PCH. For example, examination of sample magazines early and late in their stages of CMF support revealed improvements in print stock (e.g., news versus gloss finish), design quality and layout, formatting, and graphic quality. However, it was not possible to compare such qualitative improvements with a sample of publications that did not receive CMF funding for the comparable period. An area for exploration with regard to program outcomes may be the development of qualitative measures for performance measurement.

4.2.3 Results of Editorial Support

Decreased Cost of Producing Canadian Editorial Content

Canadian publications in receipt of SEC funding have benefited from lower editorial costs through support for the production of Canadian content. Over the period of fiscal years 2000-01 to 2003-04, 150 publications received SEC funding for one year, 143 for two years, 233 for three years, and 97 for four years. In 2003-04, SEC funding allocations to publishers to support the production of Canadian editorial content ranged from \$9,258 to \$552,963.

As previously noted, program reporting on the use of SEC funding for the 2001/2002 funding period²⁸ indicated that editorial support has been used to offset the costs of producing Canadian content in a number of areas, including through the use of SEC support for improved/increased editorial content, hiring more in-house or freelancers to produce editorial content, higher remuneration of staff, or through publication redesigns.

²⁷ Draft Final Report on the Use of Financial Assistance – 2001/2002 Funding Period – SEC CMF. Periodical Policy and Publishing Programs, Department of Canadian Heritage.

²⁸ Draft Final Report on the Use of Financial Assistance – 2001/2002 Funding Period – SEC CMF. Periodical Policy and Publishing Programs, Department of Canadian Heritage.

These findings suggest that SEC funding has had positive effects for publishers in a variety of areas, and that SEC funding had decreased the costs for publishers of producing Canadian editorial content.

Maintained or Increased Levels of Canadian Content in Canadian Magazines

The expected intermediate outcome of CMF editorial support is maintained or increased levels of Canadian content in Canadian magazines. Research suggests that the SEC component has not effected significant changes in the level of Canadian editorial content in magazines receiving multiple years of editorial support. This is demonstrated through analysis of changes in the amount of overall editorial content in Canadian magazines, as well as the proportion of Canadian content in magazines receiving SEC funding.

Analysis of program data for publications that received SEC support for three consecutive years²⁹ indicates that receipt of program funding may be associated with increases in editorial expenditures but only moderate increases in the amount of editorial content in Canadian magazines.

Recipients saw only a small improvement in the total number of pages in their magazines. Approximately sixty per cent (63 per cent) showed an increase in total pages, one per cent exhibited no change, and 36 per cent exhibited a decrease. Overall, the average total number of pages increased from 1,009 in 2000-01 to 1,085 in 2003-04, a relatively small increase of eight per cent.

The data also indicates that, overall, significant SEC support is not associated with large increases in the amount of editorial content. For example, the average number of editorial pages in these magazines increased by two per cent from 611 in 2000-01 data to 622 in application data from 2003-04. As shown in Table 4-3, 57 per cent of the publications exhibited an increase in total editorial pages, one per cent exhibited no change, and 42 per cent exhibited a decline.

²⁹ It should be noted that information for each year of SEC support reflects figures from applications for the previous fiscal year (e.g., 2000-01 or year 1 reflect results of the 1999-2000 fiscal year).

Table 4-3
Percentage Change in Total Editorial Pages
for Publications receiving SEC funding for 3 Consecutive Years
by Class of Magazine/Periodical and Circulation Size Category

Publication Classification	Nature of Change		
	% Increase	No Change	% Decrease
Business or Trade, Farm (n=7)	42.9%	0.0%	57.1%
General Consumer (n=34)	58.8%	0.0%	41.2%
Special Interest Consumer, Religious (n=56)	57.1%	1.8%	41.1%
Circulation Size Category	% Increase	No Change	% Decrease
Less than 150k (n=28)	53.6%	0.0%	46.4%
150k to less than 400k (n=22)	59.1%	4.5%	36.4%
400k to less than 1M (n=24)	62.5%	0.0%	37.5%
1M or more (n=23)	52.2%	0.0%	11.3%
Total	56.7%	1.0%	42.3%
Range	(1.2% to 398.1%)	(0.0)	(-73.2% to -1.2%)

Source: Department of Canadian Heritage (PCH).

The influence of SEC on the creation of editorial pages with Canadian content appears to be similarly modest. As displayed in Table 4-4, approximately one-half (52 per cent) of the magazines or periodicals exhibited an increase in pages with Canadian content, while 49 per cent exhibited a decline. Similar to the characteristics of the total editorial pages, the overall average number of editorial pages with Canadian content increased by one per cent from 579 to 586 between the first year's data and that of the fourth year, after three years of SEC support.

Table 4-4
Percentage Change in Editorial Pages (Canadian Content)
for Publications receiving SEC funding for 3 Consecutive Years
by Class of Magazine/Periodical and Circulation Size Category

Publication Classification	Nature of Change	
	% Increase	% Decrease
Business or Trade, Farm (n=7)	28.6%	71.4%
General Consumer (n=34)	52.9%	47.1%
Special Interest Consumer, Religious (n=56)	53.6%	46.4%
Circulation Size Category	% Increase	% Decrease
Less than 150k (n=28)	50.0%	50.0%
150k to less than 400k (n=22)	54.5%	45.5%
400k to less than 1M (n=24)	54.2%	45.8%
1M or more (n=23)	47.8%	52.2%
Total	51.5%	48.5%
Range	(0.1% to 398.1%)	(-75.0% to 0.1%)

Source: Department of Canadian Heritage (PCH).

It should be noted that these magazines maintained the required level of Canadian content (80 per cent) to qualify for SEC support. Table 4-5 illustrates the proportion of Canadian editorial content by year. As this table illustrates, there appears to have been a shift, rather than a decline, in the proportion of Canadian editorial content in the editorial pages. In 2003-04, the majority of publications (63 per cent) contained 90 to 99.9 per cent Canadian content. However, in 2000-01, the majority of publications (56 per cent) contained 100 per cent Canadian editorial content.

Table 4-5
Proportion of Total Editorial Pages with Canadian Editorial Content by Year
for Publications receiving SEC funding for 3 Consecutive Years

	Year			
	1999-2000	2000-01	2001-02	2002-03
80.0 – 89.9%	5.2%	4.1%	5.2%	15.5%
90.0 – 99.9%	39.1%	46.4%	57.8%	62.9%
100.0%	55.7%	49.5%	37.1%	21.6%

Source: Department of Canadian Heritage (PCH).

These findings are supported by the survey data for publishers who had received SEC support for at least one fiscal year. As shown in Table 4-6, only 56 per cent of respondents felt that the support increased the proportion of Canadian editorial content per issue. This is comparable to the proportion that felt SEC support had increased the average number of pages per regular issue (57 per cent), and helped to enhance advertising revenue (60 per cent). More than two-thirds (68 per cent) agreed that SEC funding has increased the number of features in regular issues.

Table 4-6
Publisher Opinions on Impact of SEC

Statement	Agree	Neutral	Disagree	Don't Know/No Response
SEC funding has increased the average number of pages per regular issue.	56.7%	20.7%	15.9%	6.7%
SEC funding has increased the number of features in regular issues.	68.3%	15.9%	10.4%	5.5%
SEC funding has increased the proportion of Canadian editorial content per issue.	55.5%	20.1%	14.6%	9.8%
SEC funding has increased the number of special editions with Canadian editorial content.	22.0%	26.8%	30.5%	20.7%
SEC funding has increased the competitiveness of my magazine.	75.6%	7.9%	10.4%	6.1%
SEC funding has helped enhance the advertising revenue of my magazine.	59.8%	20.7%	14.0%	5.5%
Without SEC funding, the circulation of my magazine would decrease.	53.0%	20.7%	18.9%	7.3%
Without SEC funding, the number of advertising pages per issue of my magazine would decrease.	46.3%	24.4%	21.3%	7.9%
Without SEC funding, my magazine would remain financially viable.	33.5%	25.6%	34.8%	6.1%
SEC funding has helped to ensure the financial viability and stability of the Canadian magazine industry.	79.3%	5.5%	8.5%	6.7%

n= 164

Source: SEC Recipient survey, Question C2

It should also be noted that only 32 per cent of the respondents in the SEC program research from 2001-02 stated that the funding had allowed for more Canadian editorial content; further suggesting that the SEC has had only a moderate impact on increasing the amount of Canadian editorial content.

SEC applicants who did not receive funding through the program often agreed that not receiving SEC had negative effects on their publication. Of those who were denied funding, 53 per cent agreed that the lack of SEC funding had resulted in a decrease in the average number of pages per regular issue, 60 per cent agreed that the lack of SEC funding had resulted in a decrease in the number of features in regular issues, and, most significantly, 53 per cent agreed that the lack of SEC funding had prevented an increase in Canadian content in their magazine.

4.2.4 Results Related to Ultimate Outcomes

Maintained or Increased Access to Canadian Editorial Content

As previously noted, research indicates that the Canadian magazine industry has continued to offer a diversity of publications with Canadian editorial content. During the 1998-99 to 2003-04 period, the number of Canadian titles increased 18 per cent. From 2002-03 to 2004-05, the number of consumer titles expanded from 961 to 1,032, increasing seven per cent over the period.³⁰ In addition, the number of new magazine launches during the period of 2000 to 2003 remained between 69 and 81 per year, and the number of closures has, overall, trended downward, from 60 in 2000 to 31 in 2003.

One measure of access is circulation per periodical, an indicator that is included in the Statistics Canada Periodical Publishing Survey data. Circulation per periodical for CMF recipient magazines (i.e., those that received at least one year of funding) with a circulation of less than 20,000 increased 11 per cent from 1998-99 to 2003-04. However, small-circulation magazines that did not receive CMF funding experienced a 10 per cent decline during the same period.

Maintained or Increased Competitiveness of Canadian Publishers

Research suggests that the CMF has maintained or increased the competitiveness of Canadian publishers. As previously demonstrated, CMF support has resulted in improvements in editorial spending and quality of publications. Increased competitiveness can also be demonstrated through an examination of changes in publications' advertising revenue, circulation revenue, and profitability.

Impact of CMF Funding

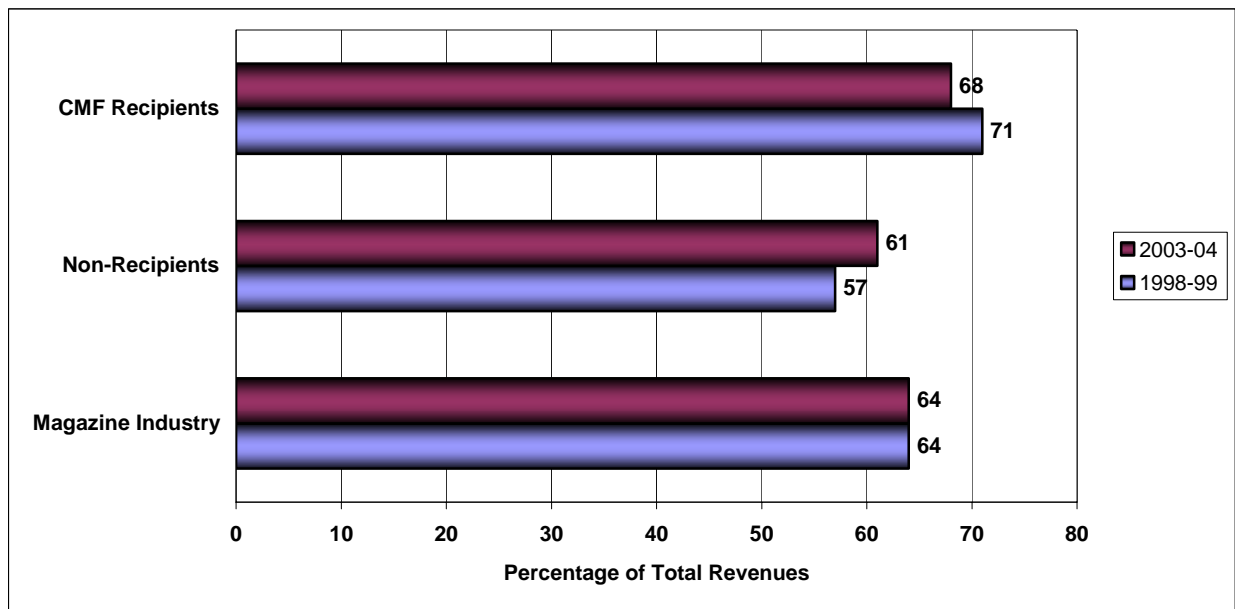
Using a custom dataset generated from the 1998-99 and 2003-04 Statistics Canada Periodical Publishing Surveys, it was possible to compare key industry indicators, including advertising revenue, circulation revenue and profitability, for magazines that received at least one year of CMF funding with those that did not receive any funding since the introduction of the CMF in 2000. Specifically, the changes in the indicators for CMF recipients, non-recipients and the

³⁰ International Summary, FIPP/ Zenith Optimedia World Magazine Trends 2002/03 – 2004/05.

magazine industry from the pre-funding (1998-99) to the post-funding (2003-04) period were examined. In order to provide meaningful comparisons between CMF recipients and non-recipients, it was necessary to standardize the measures (e.g., as a percentage of total revenues). However, determining the extent to which CMF funding contributed to the changes in the indicators is difficult to assess given the methodological approach.

As illustrated in Figure 4-4, advertising revenue as a percentage of total revenues remained constant at 64 per cent for the magazine industry from 1998-99 to 2003-04. Non-recipients experienced a slight increase during the same period, with advertising revenues comprising 57 per cent of total revenues in 1998-99 and 61 per cent in 2003-04. Although advertising revenue as a proportion of total revenues declined for CMF recipients from 1998-99 to 2003-04, the proportions were higher relative to non-recipients and the overall magazine industry in 1998-99 and 2003-04.

Figure 4-4
Advertising Revenue for CMF Recipients, Non-Recipients and the Magazine Industry:
1998-99 to 2003-04

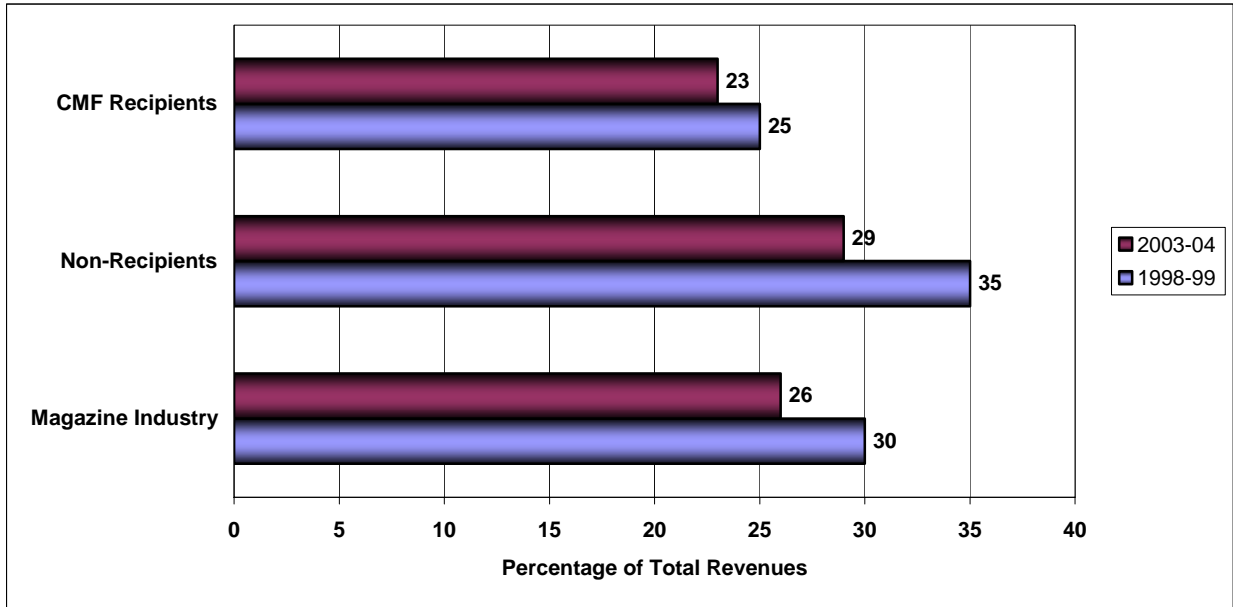


Source: Statistics Canada Periodical Publishing Survey

Note: Sample sizes are as follows: CMF recipients: n=369 (1998-99 and 2003-04); Non-recipients: n=1,658 (1998-99), n=2,014 (2003-04); Magazine Industry: n=2,027 (1998-99), n=2,383 (2003-04).

Another measure of competitiveness is circulation revenue, which includes revenue generated from single-copy and subscription sales. As illustrated in Figure 4-5, circulation revenue as a percentage of total revenues declined for CMF recipients, non-recipients and the magazine industry from 1998-99 to 2003-04. However, the decline for non-recipients (from 35 per cent to 29 per cent) was greater than for CMF recipients (25 per cent to 23 per cent). In addition, relative to the overall industry, CMF recipients experienced a smaller decrease in circulation revenue.

Figure 4-5
Circulation Revenue for CMF Recipients, Non-Recipients and the Magazine Industry:
1998-99 to 2003-04

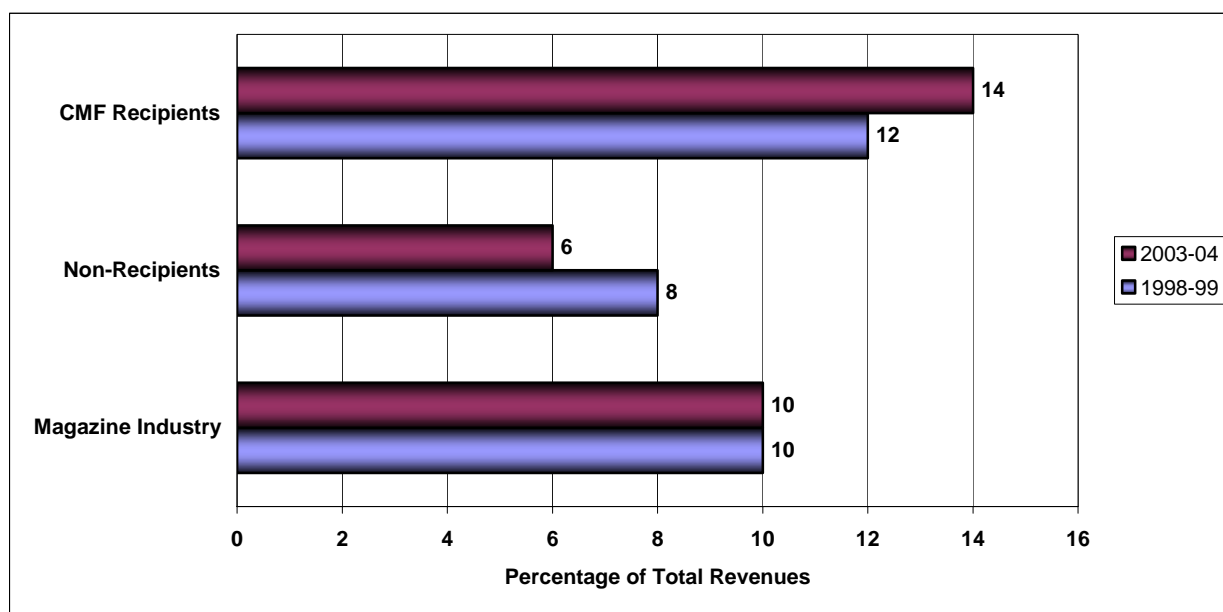


Source: Statistics Canada Periodical Publishing Survey

Note: Sample sizes are as follows: CMF recipients: n=369 (1998-99 and 2003-04); Non-recipients: n=1,658 (1998-99), n=2,014 (2003-04); Magazine Industry: n=2,027 (1998-99), n=2,383 (2003-04).

Although increasing profitability of the magazine industry is not necessarily an objective of the CMF, evidence suggests that the funding has contributed to the increase in profit margins for CMF recipients. As shown in Figure 4-6, CMF recipients were the only group to experience an increase in profit margins, from 12 per cent in 1998-99 to 14 per cent in 2003-04. Profitability of non-recipients declined significantly during the same period, and the average profit margin in the industry remained constant at 10 per cent.

Figure 4-6
Profit Margins for CMF Recipients, Non-Recipients and the Magazine Industry:
1998-99 to 2003-04



Source: Statistics Canada Periodical Publishing Survey

Note: Sample sizes are as follows: CMF recipients: n=369 (1998-99 and 2003-04); Non-recipients: n=1,658 (1998-99), n=2,014 (2003-04); Magazine Industry: n=2,027 (1998-99), n=2,383 (2003-04).

To summarize, during the pre-funding (1998-99) to the post-funding (2003-04) period:

- Advertising revenue (as a percentage of total revenues), the largest source of revenue for periodicals, declined for CMF recipients. However, advertising revenue of recipients comprised a larger share of total revenues relative to non-recipients and the industry average.
- CMF recipients experienced a marginal decline in circulation revenue relative to non-recipients. As a proportion of total revenues, circulation revenue for CMF recipients was low relative to non-recipients and the industry average.
- Relative to non-recipients and the industry average, CMF recipients were the only group to experience an increase in profitability. However, CMF recipients were also more profitable during the pre-funding period.

It is difficult to determine the extent to which the CMF maintained or increased the competitiveness of recipient publications. For example, although CMF funding may be correlated with higher profit margins, the extent to which the CMF contributed to this is beyond the scope of the evaluation. Nevertheless, there is evidence to suggest that the CMF enhanced the profitability of the magazine industry as a whole and of large-circulation magazines, in

particular. Magazines with a circulation of 100,000 or more that received CMF funding witnessed an increase in profit margins from nine per cent in 1998-99 to 17 per cent in 2003-04 while the profit margins for non-recipients declined from 11 per cent to five per cent during the same period. In contrast, small-circulation magazines (i.e., with circulations of less than 20,000) that received CMF funding witnessed a decline in profit margins from 17 per cent in 1998-99 to 11 per cent in 2003-04. However, non-recipients also experienced a decrease in profitability during the same period.³¹

The following section discusses the impact of SEC funding on total revenue, advertising revenue, and profitability of recipient publications.

Impact of SEC Funding

Analysis of program data indicates that the total revenue and advertising revenue increased for the majority of magazines receiving SEC support from 2000-01 to 2003-04. As shown in Table 4-7, 84 per cent of these publications exhibited an increase in total revenue, which could be indicative of improved quality and/or increased marketing efforts.

Table 4-7
Percentage Change in Total Revenue & Advertising Revenue
for Publications receiving SEC funding for 3 Consecutive Years
by Class of Magazine/Periodical and Circulation Size Category

Publication Classification	Nature of Change			
	Total Revenue		Advertising Revenue	
	% Increase	% Decrease	% Increase	% Decrease
Business or Trade, Farm (n=7)	85.7%	14.3%	57.1%	42.9%
General Consumer (n=34)	82.4%	17.6%	67.6%	32.4%
Special Interest Consumer, Religious (n=56)	83.9%	16.1%	67.9%	32.1%
Circulation Size Category	% Increase	% Decrease	% Increase	% Decrease
Less than 150k (n=28)	85.7%	14.3%	60.7%	39.3%
150k to less than 400k (n=22)	90.9%	9.1%	54.5%	45.5%
400k to less than 1M (n=24)	75.0%	25.0%	70.8%	29.2%
1M or more (n=23)	82.6%	17.4%	82.6%	17.4%
Total	83.5%	16.5%	67.0%	33.0%
Range	(0.07% to 1,445.6%)	(-58.9% to 0.6%)	(0.3% to 1,117.0%)	(-68.3% to 0.2%)

Source: Department of Canadian Heritage (PCH).

There was little variation in terms of the distribution across the publication classifications. However, it should be noted that the SEC support seemed to have a greater impact on the total revenue of magazines or publications with smaller circulation levels.

³¹ Statistics Canada, Periodical Publishing Survey, 1998-99 and 2003-04.

Similarly, more than two-thirds (67 per cent) of SEC-funded magazines experienced an increase in advertising revenue (ranging from 0.3 per cent to 1,117 per cent) and 33 per cent exhibited a decline. It should be noted that this distribution is comparable to that for advertising pages. This indicates that the SEC funding has resulted in the production of magazines or periodicals that are viewed as viable vehicles by advertisers.

Analysis of the SEC program data also indicates that increases in total revenue and advertising revenue were also seen in the profitability of these magazines. For example, the proportion of magazines or periodicals exhibiting a profit increased from 67 per cent in 2000-01 to 81 per cent in 2003-04. As shown in Table 4-8, more than sixty per cent (61 per cent) of the publications exhibited an increase in profit, and 39 per cent exhibited a decrease in profit. On average, the reported profit increased 45 per cent from \$269,890 to \$604,369.

Table 4-8
Percentage Change in Profit
for Publications receiving SEC funding for 3 Consecutive Years
by Class of Magazine/Periodical and Circulation Size Category

Publication Classification		Nature of Change	
		% Increase	% Decrease
Business or Trade, Farm	(n=7)	57.1%	42.9%
General Consumer	(n=34)	76.5%	23.5%
Special Interest Consumer, Religious	(n=54)	51.9%	48.1%
Circulation Size Category		% Increase	% Decrease
Less than 150k	(n=28)	53.6%	46.4%
150k to less than 400k	(n=21)	66.7%	33.3%
400k to less than 1M	(n=23)	52.2%	47.8%
1M or more	(n=23)	73.9%	26.1%
Total		61.1%	38.9%
Range		(5.0% to 19,184%)	(-709.0% to -1.0%)

Source: Department of Canadian Heritage (PCH).

SEC program administrative data also suggests that receipt of the SEC may be associated, for some magazines, with small increases in circulation. More than one-half (54 per cent) of the magazines that received SEC funding from 2000-01 to 2003-04 exhibited increases in circulation. Among those magazines or periodicals that exhibited an increase, average circulation increased by 15 per cent from 582,795 in the year before receiving SEC to 668,318 in year 3 of SEC funding. On a per issue level, this translates to an average increase in circulation from 63,499 to 72,740 per issue.

Of surveyed publishers who applied for, but who did not receive, SEC funding, 49 per cent stated that the lack of SEC funding had resulted in a decrease in the competitiveness of their magazine.

Surveyed publishers overwhelmingly felt that the SEC program had helped to ensure the financial viability and stability of the Canadian magazine industry (80 per cent either agreed or

strongly agreed). Over three-quarters (76 per cent) also felt that SEC funding had increased the competitiveness of their magazine. In addition, over one-third (35 per cent) disagreed that their magazine would remain financially viable without the SEC.

Case study findings support this survey finding. One informant indicated that prior to the receipt of CMF support, the viability of the magazine was in doubt. S/he felt that the CMF funding stabilized the outlook of the magazine, as well as the means to develop new sections and features to attract new advertisers.

4.3 Unexpected Impacts

A positive unexpected impact of the Canada Magazine Fund (according to publishers) was that the program had promoted professionalism and organization within the publishing sector's administrative practices, particularly for small publishers. This was a result of the accounting and reporting requirements of the Program, such as the circulation audits, financial reports, as well as the overall information on business practices required of applicants to the SEC and SBDSMP. Although the promotion of professionalism is a stated objective of both the SBDSMP and SID components, it was also reported by SEC applicants.

Another positive unexpected impact, according to publishers, has been that the increased communication and industry-wide contact between publishers, as a result of SID-funded initiatives, has resulted in increased contact between large and small publishers and in an increased standing of small publishers within the publishing community. This was felt to have been especially advantageous for small publishers who have benefited by the transfer of knowledge from large publications.

4.4 Performance Measurement

The current evaluation addressed the issue of whether the current performance measurement strategy for the CMF is adequate to measure and report on program impacts.

A revised Results-based Management and Accountability Framework (RMAF) for the CMF and the PAP was released in April 2004. This RMAF replaced and updated separate RMAFs for the programs, and was undertaken following a review and consultation process. The current RMAF contains a logic model of the four components of the CMF, including activities, outputs and expected outcomes. The RMAF also contains a performance measurement strategy, an evaluation strategy and a reporting strategy for both programs.

The performance measurement strategy outlines performance indicators for outputs and outcomes. Performance measurement includes data sources and collection methods that are both internal (such as through use of the CMFIS) as well as external (case studies, key informant interviews and comparison studies).

Internal data collection on CMF clients is, generally, extensive and comprehensive. The CMFIS client databases provide extensive data on client publication characteristics such as circulation. In addition, extensive financial data is collected for SEC and SBDSMP clients through

mandatory client financial reports. The administrative data review for this evaluation found client files to be well organized and comprehensive.

Client reporting requirements for the CMF have been effective in capturing information on use of funding. SEC reporting has been refined over time to capture a higher level of detail, for example in the reported use and perceived impact of funding.

The CMF is well positioned to address many of its objectives through current outcomes, performance indicators, and data collection methods. Outputs can be generated through administrative databases. CMF client administrative data addresses such outcomes as “maintained or increased levels of Canadian content in Canadian magazines.”

Performance measurement indicators for such outcomes as “greater diversity of Canadian titles and content” are, at present, based only on the characteristics of those periodicals receiving funding support, or lack specificity in data collection (for example, “academic views” or “publisher views”). More appropriate indicators of success would include, for example, the overall number of Canadian titles.

Review of SID and SBDSMP project files suggests that the performance measurement indicators for outcomes such as “strengthened industry infrastructure and capacity” are, similarly, based on the results of the projects. The level of data collection varies with the type of projects undertaken by industry associations and publishers. For example, reviewed initiatives or project components associated with promotion, circulation, or subscription drives collected appropriate levels of data to suggest that these projects have resulted in some positive short-term impacts. Alternatively, the data collection for projects that involved training (e.g., seminars, workshops, etc.) or the development of tools and resources is not as comprehensive. Although the data suggests that the training opportunities and the availability of industry-related tools/resources has been enhanced, information gathered regarding use and/or impact of these resources on the infrastructure of the Canadian magazine industry tends to focus only on participation and distribution.

More appropriate and industry-wide performance measurement data is limited, however, by the lack of regularly updated industry-wide information. The most comprehensive source of industry information is the Statistics Canada Periodical Publishing Survey; unfortunately, this survey is undertaken infrequently, with the most recent results originating from the 1998-99 and 2003-04 surveys. Other industry data is available from such sources as Leading National Advertisers (for magazine revenue), Masthead magazine (magazine launches and closures), and the Canadian Circulation Audit Board (CCAB), although this information is less comprehensive than that provided through the Periodical Publishing Survey, and collected by less impartial sources.

4.5 Cost-Effectiveness/Alternatives

This section presents findings related to program design and delivery, duplication, alternatives and administrative efficiency for the CMF.

4.5.1 Program Design

Among the surveyed publishers who received SEC, the vast majority (84 per cent) felt that supporting the development of Canadian editorial content is an effective strategy to strengthen the Canadian magazine industry. In terms of formula funding, 48 per cent of publishers agreed that “formula funding” is a good approach, while 26 per cent disagreed. In addition, 44 per cent felt that basis of the formula is compatible with enhancing the quality of Canadian magazines, but 21 per cent felt that it is not compatible. These results are summarized in Table 4-9.

**Table 4-9
Publisher Opinions on SEC Design**

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
The use of “formula funding,” where all available funds are divided among all eligible magazines, is a good funding approach.	47.6%	21.3%	25.6%	5.5%
Basing the formula on investments in eligible Canadian editorial content expenditures is not compatible with the objective of enhancing the quality of Canadian magazines.	21.3%	25.0%	43.9%	9.8%
Supporting the development of Canadian editorial content is an effective strategy to strengthen the Canadian magazine industry.	83.5%	4.9%	8.5%	3.0%

n=164

Source: SEC Recipient Survey, QD1b, QD1c, and QD1f.

Surveyed publishers who received SBDSMP were asked to rate their agreement with the statements on the eligibility criteria for SBDSMP, the project funding model, as well as the reporting and administrative requirements. The results of these measures are presented in Table 4-10. Overall, these publishers generally felt that the design of the SBDSMP was appropriate, although there was a high level of disagreement that the time and effort to meet the reporting and administrative requirements for the program are appropriate.

**Table 4-10
Publisher Opinions on SBDSMP Design**

Statement	Agree	Neutral	Disagree	Don't Know/ No Response
Project-based funding is an appropriate approach to funding through the SBDSMP.	64.7%	10.6%	22.4%	2.4%
The project funding model is not compatible with the goal of supporting the growth of small circulation titles.	37.6%	17.6%	40.0%	4.7%
Supporting business development for small magazine publishers is an effective strategy to strengthen the Canadian magazine industry.	89.4%	3.5%	5.9%	1.2%
The specified term (12 months) for SBDSMP funded projects is appropriate.	61.2%	11.8%	27.1%	0%
The time and effort needed to meet the reporting and administrative requirements for the program are appropriate.	31.8%	20.0%	47.1%	1.2%

n=85

Source: SBDSMP Recipient Survey, QD1b – QD1d, QD1f, and QD1g

While there was a high level of support within the industry for the current design of the CMF components, overall, the CMF design does demonstrate some challenges in terms of directness in supporting program outcomes and efficiency.

The project-funding model of SBDSMP has caused difficulties for publishers and the Department in terms of administrative capacity and timeliness. The formula-funding model of the SEC and the SALM is less difficult to administer, but may not be sufficiently targeted to directly support the components' objectives. For example, evidence on program impacts of the SEC suggests that the support for editorial content has improved publications, but that the funding is not targeted directly to supporting an increase in Canadian content. Since the fund was restructured, delivery time lines have improved and a variety of tools have been provided to publishers to aid in both their applications and their business planning.

The following section addresses specific aspects of the design of the CMF.

CMF Eligibility Criteria

Eligibility criteria have sometimes been issues of contention among publishers. This can be seen in the survey findings, where 40 per cent of publishers agreed that the eligibility criteria for SEC were appropriate, and 42 per cent disagreed. There was more support for the eligibility criteria of the SBDSMP among recipients, where 70 per cent of respondents felt that the eligibility criteria were appropriate, and 14 per cent disagreed.

Overall, the major identified issues of concern among publishers related to eligibility criteria for the CMF were:

- The eligibility criterion of 50 per cent paid circulation for SEC has severely limited the degree to which business and trade publications can access the program. This criterion was implemented in July of 2003, and during that year 327 publications became ineligible for SEC funding, according to program data;
- Publishers often stated that restricting SEC eligibility to publications with at least five per cent advertising content unfairly penalized magazines that were struggling to build their advertising revenue, or were not focused on commercial publication (such as educational publications); and
- Cultural magazine publishers felt that the program's definition of what constituted Canadian content should be revisited. One example given was that an article written by a Canadian about a Belgian artist is considered Canadian content, but an article written by a Belgian about a Canadian artist is not.

High Levels of Funding Support for Large Publishers

Many publishers felt that the level of support that large publishers have received through the SEC was inappropriate. Many felt that government resources should be better targeted to publishers of smaller magazines, who would most benefit from funding. Available Statistics Canada data from 2003-04 indicates that large-circulation publications exhibit the highest profit margins at 11 per cent. Publications with a small circulation are the least profitable, with profit margins averaging nine per cent. Recent changes to both the SEC and the PAP have targeted higher levels of funding to smaller publications since 2003.

4.5.2 Effectiveness of Formula versus Project Funding

The evaluation looked at programs that used both formula funding approaches (SEC and SALM) and project-driven funding (SBDSMP and SID). The evaluation addressed the issue of whether there was evidence that either method of funding is more effective than the other in achieving expected results.

As the funding models are being used by programs to fund different types of activities that address different objectives and needs, it is difficult to determine conclusively if either model is, by nature, more effective in meeting program objectives. Key informants, including publishers and PCH management, did note the following strengths and weaknesses of the different funding models:

Formula Funding (SEC, SALM)

Strengths

- Formula funding is seen as more predictable for publishers and may allow for more business planning around funding than project funding.
- Formula funding is a transparent and objective method of allocating program funding.

Weaknesses

- Can contribute to “dependency,” or the expectation by publishers that the funding can be counted on, which can be problematic for publishers if changes to program funding or eligibility result in publications having their funding reduced or eliminated.
- Formula funding must ensure that its formula is sufficiently complex to target identified needs and priority areas. Formula funding can be a “blunt instrument” if not designed effectively. This has, arguably, been to the benefit of larger publications that have, historically, received a significant proportion of SEC funding.

Project-Driven Funding (SBDSMP, SID)

Strengths

- Allows funding to address short-term needs that may be the result of a particular weakness or vulnerability.
- Allows funding to be used for industry-wide support through association projects.
- Project funding can have a more demonstrable impact on publishers, readers or the industry since the funding is provided for a specific activity within a specific time frame.

Weaknesses

- Project funding is administratively more complex for publishers. This was a major irritant with publishers, and especially with small publishers. The amount of time required for applying for, and reporting on, project funding was felt to be a disincentive for small publishers, who usually had limited administrative time and resources, to apply for project funding through the SBDSMP.

- Project funding is more difficult for recipients to manage in terms of human resources. Short-term projects may have additional short-term staffing requirements, which are challenging to manage for some (especially small) publishers and associations.
- Budget planning for project funding is more difficult and unpredictable, administratively, for the Department of Canadian Heritage. As a result, publishers and associations have experienced significant delays in receiving decisions on funding, and in receiving funding support for their projects. However, in the last two years, the response times have been decreased to a norm of less than four months.

Overall, research indicates that formula and project funding are meeting different needs, and both methods have their own strengths and weaknesses. Key informants were split in their opinions of which type of funding was more effective.

It does appear, however, that there are significant challenges in project funding, for both recipients and program administrators and management, which do not exist in the formula-funding model. Overall, the formula-funding model appears to be more efficient to deliver, and is administratively less burdensome for recipients.

4.5.3 Program Delivery

All publishers and industry observers with an opinion interviewed for this evaluation felt that responsibility for the overall delivery of the CMF should remain with the Department of Canadian Heritage. Stakeholders generally felt that the Department had, despite some problems with the initial delivery of the CMF, consulted well with the industry and had addressed the needs of publishers and readers.

Surveyed publishers who received SEC generally felt that PCH is the most appropriate federal organization to administer aid to magazines. However, publishers did not view the SEC application process as favourably. Although 47 per cent agreed the process, including the time required to process an application, was appropriate, 26 per cent disagreed. In addition, 42 per cent agreed the time required to meet the reporting and administrative requirements was appropriate, while 35 per cent disagreed.

Publishers who received funding through the SBDSMP were more negative about the delivery of that program. More than half (59 per cent) disagreed that the application process including the length of time required to process an application was appropriate, although there was a high level agreement that PCH was the appropriate organization to administer support to small magazine publishers.

4.5.4 Other Available Funding for Publications

Federal Canadian Programs

Other than the Canada Magazine Fund, direct federal support for Canadian periodicals is provided through the Publications Assistance Program of the Department of Canadian Heritage and the Canada Council for the Arts.

The Publications Assistance Program provides a postal subsidy for Canadian-owned and operated magazines when mailed to Canadian addresses. The subsidy is provided to paid and request circulation publications to offset the cost of distribution through Canada Post.

As previously noted, the Canada Council for the Arts offers writing and publishing grants to literary and arts magazines for specific project funding or for new magazine start-up funds.

Provincial/Territorial Programs

Provincial or territorial funding is available in some areas. 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 logistical and informational support in addition to some financial support, but only financial support is documented here.

No provincial support was found for New Brunswick, Newfoundland/Labrador, Nova Scotia or Prince Edward Island.

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.³²

The AFA offers grants to support magazine publishers in Alberta by assisting with editorial and pre-press (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. They are calculated at: (1) 50 per cent for editorial staff, contributor's fees, including written and visual elements, and design costs; and (2) 25 per cent for pre-press preparation costs such as typesetting, film, and separations.³³ The maximum grant available is \$35,000.

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. The association funds member

³² http://www.cd.gov.ab.ca/all_about_us/commissions/arts/grants/index.asp

³³ http://www.cd.gov.ab.ca/all_about_us/commissions/arts/grants/pdf_files/Magazine_Publishers2004.pdf

journals through a few programs.³⁴ Magazines that belong to the AMPA have access to bursaries to attend professional development conferences. The association matches funds, up to \$900.00 per month, to sponsor internships. It also pays \$360.00 per quarter to each of seven specialty bookstores in Alberta to feature arts and literary magazines in an end-shelf display.

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.³⁵ Priority is given to periodicals that emphasize the work of British Columbia writers or previously unpublished materials. Project Assistance is also available from the British Columbia Arts Council.

For other magazines, a bursary program is available. With financial assistance from the Canada Magazine Fund, bursaries for several professional development events (such as training courses offered by the SFU Summer Publishing Program) can be awarded to members of the British Columbia Association of Magazine Publishers.³⁶

According to the Ministry of Small Business and Revenue, Revenue Programs Division, in Victoria, BC, magazine publishers qualify for an exemption under the Social Service Tax Act.³⁷ Magazines, periodicals and newspapers are exempt from tax provided certain criteria are met. Employee newsletters, employee magazines and student yearbooks also qualify for exemption. British Columbia is the only province that offers this type of tax break to magazines (Ontario offers a similar form of tax credit to book publishers).

In Manitoba, the Manitoba Arts Council offers a number of programs and grants to fund arts programs.³⁸ One program, the Periodicals Publishers Project, can fund developing and emerging periodical publishers for a variety of projects, e.g., professional development, special production costs and contributor and editorial fees.

In Ontario, there are two funding organizations in Ontario for arts and literary magazines: the Ontario Ministry of Culture and the Ontario Arts Council. The Ontario Ministry of Culture web site also indicates support for “Book and Magazine Publishing, Electronic Media, and Theatre.”³⁹

The Ontario Arts Council offers project funding to magazine and book publishers. Last year, \$404,000 was distributed to 33 magazines, and the council funded 33 of 35 applications.⁴⁰

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 cultural

³⁴ <http://www.albertamagazines.com/index.aspx?page=membership> and <http://www.albertamagazines.com/index.aspx?page=home>

³⁵ http://www.bcartscouncil.ca/programs/program.php?active_page=757

³⁶ <http://www.bcamp.bc.ca/news/>

³⁷ http://www.rev.gov.bc.ca/ctb/publications/bulletins/sst_029.pdf

³⁸

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

³⁹ Ontario Ministry of Culture site: <http://www.culture.gov.on.ca/english/culdiv/cultind/index.html>

⁴⁰ Ontario Arts Council 2003 funding levels: http://www.arts.on.ca/userfiles/HTML/nts_1_866_1.html

media industry, individually and across the sectors, and to encourage business alliances across the cultural industries.⁴¹ Its programs include:

- *The Market Access Program (MAP)* for cultural entrepreneurs;
- *The New Voices, New Visions Program* for emerging content developers;
- *The Pioneering Content Program* to foster prototype projects; and
- *The Sector Organization Support Program* for incorporated not-for-profit industry organizations.

In Quebec, there are numerous grant programs and other financial support for the province's magazine publishing industry.

Le secrétariat au loisir et au sport offers grant programs for non-profit cultural organizations.⁴² The description on their web site of eligible organizations includes visual, media arts and literary organizations. Financial aid programs of the Ministère de la Culture et des Communications may encompass magazines.⁴³

The Community Media Assistance Program, 2003-04, can support specific projects of newspapers that have been in operation for at least one year and have published at least 8 issues in the previous year.⁴⁴

In Saskatchewan, the Saskatchewan Arts Board can provide grants to artists, arts organizations, and cultural workers.⁴⁵ It is not known whether magazine publishers can benefit from these programs, but they are not specifically excluded.

The Saskatchewan Publishers Group is a non-profit organization to assist Saskatchewan book publishers and promote Saskatchewan-published resources. Again, it is not clear whether magazines are eligible for funding.

Funding Approaches Outside of Canada

The evaluation research included a review of information about programming in twelve jurisdictions: Australia, Austria, Finland, Ireland, New Zealand, Norway, Scotland, South Africa, Sweden, the Netherlands, the United Kingdom and the U.S.

It did not cover support in other countries. References were made to their handsome support for cultural industries, but the review did not yield enough material to determine what assistance might amount to.

The review found programs similar to those of the Canada Council for the Arts and Canada's CMF (the literary and cultural magazines component) most often offered: England, Ireland,

⁴¹ The Ontario Media Development Corporation site: <http://www.omdc.on.ca/>

⁴² Quebec Secrétariat au loisir et au sport site: http://www.mce.gouv.qc.ca/w/html/inventaire/prog_126.htm

⁴³ Quebec Ministère de la Culture et des Communications
http://www.mce.gouv.qc.ca/w/html/inventaire/prog_191.htm

⁴⁴ Quebec Community Media Assistance Program site:
http://www.mcc.gouv.qc.ca/programme/pamec_a.htm#objectifs

⁴⁵ Saskatchewan Arts Board: <http://www.artsboard.sk.ca/> and http://www.artsboard.sk.ca/Grants/grants_pco.shtml

Australia, New Zealand, and Scotland all had similar initiatives. It appears that Canada ranks among the top ten countries devoting resources to supporting its magazine publishing industry.

The article “Pining for Cash”⁴⁶ 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. Unfortunately, the article only gives examples that deal with film and television.

One feature offered by some other countries that is not available to Canadian magazine publishers is relief from taxation. The United Kingdom 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. United Kingdom sources publishing support money from lotteries.

An interesting distinction is in Australia, where 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 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 belief, likely, that countries believe their inhabitants’ cultural expression is important and unlikely to be heard without some government support.

4.5.5 Alternatives

The evaluation addressed the issue of whether there were any possible alternatives to the CMF that would be more effective or cost efficient.

Given the strength of the Canadian publications industry in subscription sales, the increasing cost of postage is a major challenge for publishers. Canada Post has increased mailing costs across all postage categories and outpaced the increases in the price of periodicals. For example, during the period 1998 to 2004, postal rate increases ranged from 28 per cent to 95 per cent, depending on the weight category and category of postage. Recent analysis conducted by the publications industry⁴⁷ found that publishers of smaller circulation magazines (i.e., under 10,000 copies) had to pay \$0.17 a copy more to mail in 2004 than in 1998, and that increases in postal rates during the period averaged six per cent a year over the period for most magazines. In contrast, Statistics Canada data indicates the increases in Canadian periodical prices during this period averaged 4 per cent a year.⁴⁸

⁴⁶ Author unavailable. “Pining for Cash.” *Canada and the World Background*. Col. 67, No. 2, 2001.

⁴⁷ *Publications Mail Analysis*. Michael J. Fox, May 2004.

⁴⁸ *Ibid.*

Key informant interviews, surveys with SEC recipients and non-recipients, and the case studies confirm that the increasing cost of postage is a significant issue for the publications industry. For example, informants generally indicated that addressing and/or surviving postal cost increases was among the three major challenges facing publishers in the next five years.

One alternative may be the introduction of a reward of support from the Publications Assistance Program (PAP) for the creation of editorial content. A reward of PAP support, to address a portion of publishers' distribution costs, for the demonstrated creation of editorial content may encourage the development of editorial content, and serve to increase the level of access Canadians have to Canadian magazines. However, attention should be paid to the eligibility criteria for each program to ensure that this type of support does not disadvantage smaller and/or less profitable publishers.

Internationally, government support for ensuring the wide and affordable access of publications is often in the form of reduced consumer taxation on magazines and periodicals. For example, many European countries (e.g., Denmark, Sweden, Norway) levy a reduced Value Added Tax (VAT) on magazines, periodicals and/or newspapers, as does the Ukraine. The United Kingdom has a zero per cent VAT rate on newspapers, books and magazines, although it is the only European Union country to do so.⁴⁹ However, a reduced Goods & Services Tax in Canada is not likely to achieve program objectives since it would not provide specific support for Canadian, as opposed to foreign, publications.

Another alternative, or complementary option, is the use of a refundable tax credit to Canadian publications⁵⁰. This credit could be based, for example, on publisher expenditures in creating original Canadian editorial content. A refundable tax credit has existed for other cultural sectors in Canada (e.g., film and video production). This option allows for the direct support of the cost of producing Canadian editorial content. Administration of such an option could be problematic, however, as both publishers and PCH would be required to provide/verify the Canadian content that was funded. Similarly, this option may result in the government foregoing significant (and variable) tax revenues as the amount eligible for a tax credit could vary significantly on a year over year basis. In addition, the amount of the tax credit would not be significant for small-circulation publications, which typically exhibit low profitability. Furthermore, implementation of such a support program could not be independently undertaken by PCH. Whether this option would be more cost-effective than the current CMF program requires further examination.

Key informants also suggested establishing a funding linkage between expenditures on creators (i.e., writers, photographers, illustrators) and CMF. This could allow a direct linkage between CMF funding and the quality of Canadian editorial content. A potential disadvantage could be the reduction in employment if publishers increase the use of external creators in order to obtain funding. Another potential extension to the program could include targeting of funding to allow cultural organizations to purchase advertising in Canadian periodicals. However, there is a potential "free-rider" problem since those organizations that would have purchased advertising in the absence of the program would also be able to apply for funding to cover eligible advertising costs.

⁴⁹ CMF/PAP Literature Review, Final Report. Jo-Ann Cleaver for the Department of Canadian Heritage, March 31, 2004, p22.

⁵⁰ It should be noted that the concept of the use of a tax credit is not new. It was proposed and rejected during the creation of the CMF program in 1999. One of the key factors was that such a credit would require the cooperation of a number of other Government agencies/departments.

4.5.6 Administrative Efficiency

In 2004-05, there were 27.5 full-time employees at the Department of Canadian Heritage responsible for the Canada Magazine Fund, as shown in Table 4-11.

Table 4-11
CMF Full-Time Employees (FTEs) 2004-05

Canada Magazine Fund (CMF)	24 positions
Planning and Coordination	1 position
Policy	1.5 positions
Director's Office	1 position
Total	27.5 positions

Source: Department of Canadian Heritage

Note: FTEs for Planning and Coordination, Policy and Director's Office were divided in half to reflect both PAP and CMF responsibilities.

It should also be noted that CMF and PAP staff often work to support each other, and that some assistance with processing and assessing applications, for example, is provided across programs. The 2003 reorientation and focus of the CMF seems to have enhanced this support between the programs. The structure of the Department and information from key stakeholders indicates that a considerable proportion (an estimated 50 per cent) of the activities and responsibilities of specific positions in Planning and Coordination, Policy, and the Director's Office are divided between the CMF and the PAP. Based on this information, the figures for 2004-05 associated with FTEs, O & M, and salary expenditures for Planning and Coordination, Policy, and the Director's Office were divided between the CMF and the PAP.

The following Table 4-12 provides the number of CMF applications received and approved for the period from 2000-01 to 2004-05. The significant decrease in 2003-04 was a result of the decrease in the CMF's expenditures from \$32.0M to \$15.0M in that fiscal year, and the elimination of free circulation titles from eligibility for SEC funding.

Table 4-12
CMF: Number of Applications Received/Approved (2000-01 to 2004-05)

	2000-01		2001-02		2002-03		2003-04		2004-05 ¹	
	Received	Approved	Received	Approved	Received	Approved	Received	Approved	Received	Approved
CMF: SEC	521	403	560	456	544	488	202	172	187	174
CMF: SBDSMP	258	15	0	97	82	55	100	66	70	62
CMF: SID	14	7	12	5	10	12	11	10	14	17
CMF: SALM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90	62
CMF Total	793	425	572	558	636	555	313	248	361	315

Source: Department of Canadian Heritage

¹ Includes files that have been approved or recommended for approval as of March 7, 2005.

It should be noted that the data in these tables may not represent the time required by CMF program staff to field inquiries from publishers who do not file an formal application for CMF

support. Telephone and e-mail inquiries are not tracked by the department unless an application is filed and a file for the applicant magazine is created. As such, there is no measurable data available for these activities.

Table 4-13 demonstrates the number of files and funded applications by FTE for the CMF during the period since 2000-01.

Table 4-13
CMF: Number of Files & Funded Applications by FTE (2000-01 to 2004-05)

2000-01		2001-02		2002-03		2003-04		2004-05 ¹	
Received	Funded	Received	Funded	Received	Funded	Received	Funded	Received	Funded
33.0	17.7	23.8	23.3	26.5	23.1	13.0	10.3	15.0	13.1

Source: Department of Canadian Heritage

¹ Includes files that have been approved or recommended for approval as of March 7, 2005.

As shown in Table 4-14, the CMF costs about 6¢ for each dollar of expenditures during the period from 2000-01 to 2002-03. Since 2003-04, the CMF has cost 12.7¢ and 13.2¢ for each dollar of expenditures. The significant increase in administration costs from 2002-03 to 2003-04 was the result of a 53 per cent reduction in total expenditures combined with a marginal reduction in CMF administration costs.

Table 4-14
CMF Administration Costs (\$'000)

	2000-01 ³	2001-02 ⁴	2002-03	2003-04	2004-05
CMF Administration ¹	1,609	2,056	2,054	1,904	1,607
Total Expenditures ²	26,100	31,200	32,000	15,000	14,600
Cost to deliver \$1 of funding	6.2¢	6.6¢	6.4¢	12.7¢	11.0¢

Source: Department of Canadian Heritage

¹ Note: These figures include O & M expenditures and salaries for the SEC, and SBDSMP components of the CMF only. The figures from the Director's Office and the Policy Group are not included.

² Note: These figures exclude O & M expenditures and salaries.

³ Note: All figures from 2000-01 are currently not available.

⁴ Note: All figures from 2001-02 are currently not available.

In comparison with the cost to deliver the CMF, four other programs delivered by the Department of Canadian Heritage required 2¢ (Cultural Spaces Canada), 3.4¢ (Book Publishing Industry Development Program), 7¢ (Arts Presentation Canada) and 13¢ (Canadian Arts and Heritage Sustainability Program), per dollar awarded.⁵¹

⁵¹ Prairie Research Associates. Summative Evaluation of the Book Publishing Industry Development Program.

5.0 Conclusions

The final section of the report provides a summary of research findings and provides conclusions and recommendations based on those findings.

Rationale and Relevance

The CMF aligns well with federal priorities and departmental objectives.

The CMF directly addresses the priorities of the federal government, as it supports diversity of views and cultural expression, and, indirectly, through strengthening Canadian communities. The program also aligns with the strategic outcome of the Department of Canadian Heritage that “Canadians express and share their diverse cultural experiences with each other and the world.” The re-orientation of the program in 2003, including the implementation of the SALM and a new focus on supporting professional and business development for ethnocultural, minority official language and Aboriginal community publications and editorial support for GLBT publications, was a further step to target the program to the cultural objectives of supporting a diversity of cultural content and views.

It should be noted that, although the implementation of the SALM aligns with the reorientation, key informant interviews indicated that the Canada Council for the Arts would be an effective administering body for the funds, given its longstanding and recognized support for artistic and cultural publications.

The threat of the loss of advertising as a result of heightened competition from foreign publishers, the major original rationale for the CMF, has not yet materialized.

The major original rationale for the CMF was the perceived threat of split run magazines entering into the Canadian market and providing significant competition for advertising, following the signing of the *Canada-US Agreement on Magazines*. The threat has not materialized and there is no evidence of a negative change to the advertising revenues of the industry. Monitoring activities, conducted by PCH, of split-run activity and foreign publishers participation in the Canadian advertising market, indicates that none of the five foreign magazines were found to have recurrent Canadian-sourced advertising close to the allowable 15 per cent *de minimus* level.

Canadian magazines still face other longstanding competitive disadvantages with foreign publications, especially at the newsstand.

While the original major rationale for the CMF has not emerged, research suggests that Canadian publications still face competitive disadvantages relative to foreign publications. These include higher per-unit costs given smaller reader populations, low profitability of small-circulation magazines threatening the sustainability and viability of these publications, and challenges in competing at the newsstand given the cost of access to and maintaining a newsstand presence.

Given these cost pressures, and the low profitability of Canadian consumer and religious publications, there is a continued need to provide financial support to this industry.

Impact

A reorientation of the CMF was announced in 2003 to target support to paid circulation magazines, priority area publications (e.g., ethnocultural, Aboriginal, and minority official language) and groups representing these publications.

Research findings suggest that the Program has been able to implement many of its expected changes announced in 2003. For example, proposed changes will be implemented to the SID component to allow further access to industry support for groups representing priority area publications. The number of arts and literary magazines that receive support under the SALM component is lower than predicted. However, it should be noted that the original projection was based on figures provided by the Canada Council for the Arts, which does not have the same criteria as the CMF (e.g., requiring a minimum of 80 per cent Canadian content).

The CMF is associated with increasing Canadians' access to Canadian magazines and supporting a greater diversity of titles for readers. Some evidence also suggests that the CMF has enhanced the quality of magazines.

Research indicates that the Canadian periodical industry has maintained a diversity of titles, and that the industry has seen a growth in the number of consumer titles since the implementation of the CMF. Publishers and industry observers feel that the CMF has successfully supported greater diversity of titles and increasing access to Canadian content.

With respect to editorial and design expenditures, a proxy measure of magazine quality, CMF recipients contributed a larger share of their total expenses to this area relative to non-recipients and the overall industry. In addition, CMF funding through the SEC and SBDSMP has enhanced the quality of magazines, as shown through recipient magazines' improvements to design and editorial quality, more resources devoted to editorial staff, and some increases to the remuneration of editorial staff.

Research indicates that the CMF has strengthened the infrastructure of the Canadian magazine industry.

The CMF has contributed to strengthening the Canadian magazine industry. This has been achieved through the SID and SBDSMP components.

Overall, SID-funded projects appear to have increased awareness of the Canadian magazine industry among the public, resulted in small increases in retail sales of Canadian magazines, and resulted in increases in subscription sales of Canadian publications. Longer-term outcomes for SID-funded projects are not available.

Survey findings indicate that industry training funded through the SID component was felt by those who participated to be especially useful and to have resulted in improvements to

publications. Case studies further support the positive impacts associated with SID/SBDSMP funding.

With respect to CMF recipient and non-recipient industry data available from Statistics Canada, there is some evidence to suggest that the CMF improved the viability of recipient magazines. However, advertising and circulation revenue as a proportion of total revenues declined for CMF recipients from the pre-funding (1998-99) to the post-funding (2003-04) period. During the same period, the magazine industry as a whole experienced no change in advertising revenue as a proportion of total revenues and a decline in circulation revenue as a proportion of total revenues.

The SEC and SBDSMP components of the CMF are also strongly associated with improved sustainability of magazines, and have strengthened the Canadian magazine industry's infrastructure through increased circulation and revenue generation.

Research indicates that the Support for Editorial Content (SEC) component of the CMF has had only moderate success in increasing the amount of Canadian editorial content in Canadian magazines.

Research indicates that the SEC has had only moderate success in achieving its intermediate outcome of maintaining or increasing levels of Canadian editorial content in publications in receipt of the funding. For example, the average total number of editorial pages for SEC recipients increased eight per cent from 2000-01 to 2003-04. An analysis of characteristics of publications in receipt of multiple years of SEC funding suggests that the program has, however, been successful in increasing the competitiveness of Canadian magazines. The increase in competitiveness of Canadian magazines is limited to the Canadian market, which was the program component's ultimate outcome.

Research indicates that the Support for Editorial Content component of the CMF may be relatively more beneficial to periodicals with mid-size circulations and to special interest consumer periodicals.

Research indicates there may be a correlation between SEC funding and several industry indicators, including Canadian and total editorial pages, advertising and total revenues and profit margins. For periodicals receiving three consecutive years of SEC funding, periodicals with circulations between 150 thousand and 1 million per year, as well as special interest consumer magazines, appear to have benefited more than other types of periodicals.

The expected outcomes, logic model, and performance measurement strategy of the CMF do not reflect changes to the programs announced in 2003.

Changes to the CMF were announced in 2003 with the purpose of shifting funding resources from Canada's largest publishers to smaller publishers and priority areas, as well as to paid circulation magazines, as they face the strongest competition for readers from foreign competition.

The expected outcomes, logic model, and performance measurement strategy outlined in the Results-based Management and Accountability Framework of April 15, 2004 do not currently reflect these changes to the programs.

Performance measurement is constrained by the limited amount of regularly updated industry-wide data on publications in Canada.

A major constraint in performance measurement for the programs is the limited amount of regularly updated data on the periodicals industry in Canada. While the collection of output and outcome data for recipients of program funding has been undertaken by the Department, there is lack of regularly updated data that would allow a comparison of recipients and non-recipients, as well as demonstrate changes in the industry overall. The most comprehensive source of data, the Statistics Canada Periodical Publishing Survey, is available on an infrequent basis. It was not possible to adequately assess the program's reorientation since 2003 as the most recent available data was gathered in 2004 and published in June 2005.

Cost-Effectiveness and Alternatives

Alternative program design models may be more effective in achieving program outcomes.

Research indicates that the CMF's design may not be the most efficient method to achieve program outcomes. The design of the CMF has been administratively challenging for the Department of Canadian Heritage, and is not a direct approach in supporting program outcomes.

Other methods (including a reward of support from the Publications Assistance Program (PAP) for the creation of editorial content or the use of a tax credit) may be more direct, efficient, and predictable for publishers. A reward of PAP support, to address a portion of publishers' distribution costs, for the demonstrated creation of editorial content may encourage the development of editorial content and serve to increase the level of access Canadians have to Canadian magazines.

Alternatively, a tax credit may also allow for a wider scope of publications to be eligible for support for the creation of editorial content than currently afforded through the CMF. However, at this time the use of a tax credit may not be feasible. The costs associated with tax-based measures may be significant, and such changes could not be independently implemented by the Department and would require the cooperation of other federal departments, e.g., Department of Finance and the Canada Revenue Agency.

Other funding is available for periodicals, in particular for artistic, cultural and literary publications.

Other agencies, including the Canada Council for the Arts and provincial government organizations, provide funding for publications. This funding is generally for artistic, cultural and literary publications. Available research suggests that most provinces do not have provincial funding available for magazine publishers, however.

Recommendations and Management Response

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

Recommendation 1: Explore alternative funding options that would target support more directly to the production of Canadian editorial content.

The design of government support for the production of Canadian editorial content should be revisited to ensure that the support is directly targeted to achieving the outcome of maintaining or increasing the levels of Canadian editorial content in Canadian magazines. While research suggests that the SEC has been beneficial to publishers in increasing the competitiveness and quality of their publications, the findings suggest that, overall, the funding has not been directly targeted to the production of an increased amount of Canadian editorial content. A more targeted approach, whereby the support provides greater incentives to publishers to produce Canadian editorial content, should be considered.

A more targeted approach to supporting editorial content may be the use of a reward of PAP funding or a tax credit for the production of editorial content. Alternate forms of support should be explored, although attention should be paid to ensure that the types of support do not disadvantage smaller and/or less profitable publishers.

Management Response: Accepted.

The Department will study whether alternative methods would indeed provide greater incentives for publishers to create editorial content. This study will be conducted in the context of a more detailed examination of the continuing alignment of the Canada Magazine Fund towards achieving evolving public policy goals.

Implementation Schedule: by December 2006

Recommendation 2: Reassess the continued need for the SALM component and if it is to be continued, consider devolving its delivery to the Canada Council for the Arts or, alternatively, consolidating its delivery with other CMF components.

The CMF currently has four components, the smallest of which is the SALM with a budget of \$1 million. Given the lack of strong rationale for the specific funding of artistic and literary magazines by the CMF, as well as the duplication of funding with that of the Canada Council for the Arts (CCA), the need for SALM funding should be reviewed. If the SALM is to be continued, there is a high degree of support for its delivery being transferred to the Canada Council for the Arts. Stakeholders at both agencies, as well as publishers, felt that the CCA would be an effective administering body for the funds, given its longstanding and recognized support for artistic and cultural publications. Stakeholders often felt that the SALM being delivered through the Department of Canadian Heritage caused unnecessary administration for both publishers and the two organizations. Alternatively, if the CMF is to continue delivering the SALM, increased efficiency might be achieved by consolidating its delivery with the SEC component.

Management Response: Accepted.

The Department agrees that there is redundancy between CCA and the Department in the administration of the Support for Arts and Literary Magazines (SALM), and that funding for arts and literary magazines should be the sole responsibility of one funding body. The Department will continue regular SALM funding in 2006-2007 while it reviews the issue. Completion date: By April 2007

Implementation Schedule: By April 2007

Recommendation 3: Assess the results of CMF funding by category and size of periodical to ensure optimum results are being achieved.

The CMF's SEC funding may not benefit all types of periodicals equally as periodicals with mid-range circulations and special interest consumer magazines appear to be benefiting relatively more from SEC funding than other types of periodicals. Further research would be necessary to determine which categories of periodicals currently funded benefit the most from SEC funding. If the research indicates that further targeting of funding based on size of circulation or type of periodical would optimize results, changes to the targeting of program funding should be considered.

Management Response: Accepted.

The Department will conduct further research on the long-term results of CMF funding for magazines of different size and category, and will eventually retarget program funding accordingly.

Implementation Schedule: by December 2006

Recommendation 4: The Department of Canadian Heritage should work to increase the regularity of the collection of data on periodicals in Canada, in order to support performance measurement.

The Statistics Canada Periodical Publishing Survey is a key source of data to measure the strength of the periodical industry in Canada. Given that the survey is conducted once every five years, industry data gathered in the survey are not available at sufficiently regular intervals to allow for effective use by the Department for performance measurement or evaluation. New survey data at more regular intervals would enhance performance measurement and program evaluation.

In terms of internal data, information on outputs and short-term outcomes have been collected related to SID-funded initiatives. However, there is a lack of long-term outcomes data that is associated with the relatively short duration of the component. As the program matures, the program should move toward the collection of information to measure the extent to which the component has served to strengthen the infrastructure of the industry. Attention should be given to the collection of data for performance measurement, specifically the impact(s) that publisher participation in training/professional development, distribution and utilization of resources derived from SID-funded initiatives have had on the status of industry infrastructure.

Management Response: Accepted.

The Department will be re-working the Results-based Management and Accountability Framework (RMAF) and the Risk-based Audit Framework (RBAF) for the CMF and the Publications Assistance Program (PAP). The focus will be put on ensuring that information collection strongly supports measurement of outcomes and links to the Cultural Affairs Sector strategic objectives as well as the Program Activity Architecture of the Department.

For broader information about the industry, different options are being explored, including commissioning a special run from Statistics Canada. This will be tied to a Sector-wide approach on gathering cultural statistics.

The Support for Industry Development (SID) component is intended to have long-term outcomes. The Department is currently assembling information on results to date which will be used to inform the specific performance indicator. Results of this initiative will be used in the review of the RMAF of the CMF.

Implementation Schedule: by January 2007

Recommendation 5: The Department of Canadian Heritage should explore processes to improve the efficiency of program delivery.

Currently, administrative expenditures associated with the CMF amount to approximately 11 cents per contribution dollar. Relative to other Canadian Heritage programs, it would appear administrative costs associated with the management of CMF programs are high. A review of program administration may result in greater efficiency in terms of program costs.

Management Response: Accepted.

The CMF was created as part of a policy approach that included collecting information and economic data for use by the Department's periodical sector in the formulation of both policies and programs. CMF therefore bears financial responsibility for many of the policy operations of the Directorate, including assembling information for policy development and research purposes and for the Publications Assistance Program (PAP). These factors have contributed to the relatively high administrative expenses of the program.

The information gathered with CMF resources for the PAP has helped to keep PAP administrative costs low (2 cents per grant dollar). The two programs together spend 4.5 cents per dollar to deliver \$65.4M in funding to the periodical industry.

Nevertheless, program management believes that some greater efficiencies can be achieved in CMF without compromising the value of the information collected for policy purposes, or the program service standards.

Implementation Schedule: June 2007

Annex

Evaluation Matrix

Evaluation Question/Issue	Indicators	Source/Method of Collection
Rationale and Relevance		
<p>1. Are the mandate and objectives of the PAP and the CMF consistent with the federal government's policies and priorities? With Canadian Heritage's strategic outcomes?</p>	<ul style="list-style-type: none"> • Alignment between the government's policies & priorities and the activities, expected and actual results of the PAP and CMF • Alignment between PCH's strategic outcomes and the PAP and CMF's activities, expected and actual results 	<ul style="list-style-type: none"> • Key informant interviews with PCH senior management • Literature review • Document review <ul style="list-style-type: none"> • Program RMAF, RBAF • Speeches from the throne • Program literature – CMF and PAP objectives from program lit • PCH Strategic Outcome documentation from website • Overall analysis of program results from surveys and file reviews
<p>2. Is there a continued need for the government to support the production of Canadian content magazines and periodicals and their distribution to Canadian readers?</p> <p>2a. Is targeted production assistance and distribution assistance necessary given the apparent success of the <i>Foreign Publishers Advertising Services Act</i> and the related regulatory measures in preventing the entry of split-run editions of foreign magazines into Canada? Within this context, do Canadian content magazines and periodicals continue to require government assistance through the PAP and the CMF?</p>	<ul style="list-style-type: none"> • Match between identified industry needs and CMF / PAP • Trends in socio-economic indicators • Market share / profitability of Canadian magazines • Extent of Canadian editorial content in Canadian magazines • Access to Canadian magazines and periodicals • # of foreign split-run magazines in Canada • Impact of foreign split-run magazines in Canada 	<ul style="list-style-type: none"> • Key informant interviews with PCH senior management, industry representatives, academics • Literature review <ul style="list-style-type: none"> • Review of current need in <i>CMF and PAP Literature Review</i> • Socio-economic factors in Canadian economy and CDN and US magazine industry (growth of magazine industry, state of trade, state of economies) • Statistics Canada periodical and program database analysis • PCH can produce: # of split run magazines over time and sales over time for magazines and periodicals • Ministerial Correspondence summaries • Document and file review

Evaluation Question/Issue	Indicators	Source/Method of Collection
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Success		
<p>3. How successful has the CMF been in “safeguarding diverse Canadian voices” by supporting the development of Canadian editorial content in Canadian magazines, by strengthening the infrastructure in which the Canadian magazine industry operates and by supporting the development of editorial content in small, high-quality, Canadian cultural magazines?</p>	<p><u>Decreased cost of producing Canadian editorial content</u></p> <ul style="list-style-type: none"> • Profile of recipient expenditures on Canadian content <p><u>Maintained or increased levels of Canadian content in Canadian magazines</u></p> <ul style="list-style-type: none"> • Number of editorial pages / proportion of Canadian content in recipient magazines • Number of features, special editions in recipient magazines <p><u>Strengthened industry infrastructure & capacity</u></p> <ul style="list-style-type: none"> • SID project results • SBDSMP project results <p><u>Greater diversity of Canadian titles & content</u></p> <ul style="list-style-type: none"> • # of new titles funded by CMF • Change in profile of funded Canadian magazines <p><u>Enhanced quality of Canadian magazines</u></p> <ul style="list-style-type: none"> • New columns, features and section added • # of new editorial personnel/ pages • Results of readership surveys • Awards won <p><u>Relative success of CMF intervention</u></p> <ul style="list-style-type: none"> • Success of formula funding vs. project funding (CMF) • Success of funding by class/ size of magazine/ periodical 	<ul style="list-style-type: none"> • Review of CMFIS recipient reports • Review of CMFIS database • Document and file review including <ul style="list-style-type: none"> • CMF-SBDSMP Report of 2000-2004 Approved funding – types of projects undertaken • Case studies • Statistics Canada Periodical Publishing Survey • Comparison of CMF database with Stats Canada data (as baseline) for those publications who have or have not received CMF funding • Key informant interviews with publishers, academics, industry representatives • Recipient survey • Readership surveys • Comparison studies
<p>3a. Is there any evidence that either method of funding, formula or project-driven, is more effective than the other in achieving results?</p>		<ul style="list-style-type: none"> • Key informant interviews • Literature review • Recipient surveys • Case studies
	<p><i>COMBINED OUTCOMES FOR CMF AND PAP</i></p> <p><u>Canadian readers have maintained or increased access to titles & content reflective of Canada</u></p> <ul style="list-style-type: none"> • Overall subscription/ circulation rates • Number of Canadian titles in circulation • Readership of Canadian magazines <p><u>Maintained or increased competitiveness of Canadian magazines</u></p> <ul style="list-style-type: none"> • Advertising revenues 	<ul style="list-style-type: none"> • Review of CMFIS & PAP databases • Document and file review • Statistics Canada Periodical Publishing Survey • Key informant interviews with publishers, academics, industry representatives • Recipient survey • Circulation audits • Review of CMFIS recipient reports • Case studies
Evaluation Question/Issue	Indicators	Source/Method of Collection

	<p><i>COMBINED OUTCOMES FOR CMF AND PAP</i> <u>Canadian readers have maintained or increased access to titles & content reflective of Canada</u></p> <ul style="list-style-type: none"> • Number of Canadian titles in circulation • Overall subscription/ circulation rates • Readership of Canadian magazines <p><u>Maintained or increased competitiveness of Canadian magazines</u></p> <ul style="list-style-type: none"> • Advertising revenues/ circulation sales • Market share & profitability of Canadian magazines/ industry • Recipient revenues • # of advertising pages per magazine • # of subscriptions/ copies sold by category 	<ul style="list-style-type: none"> • Review of CMFIS & PAP databases • Document and file review • Statistics Canada Periodical Publishing Survey • Key informant interviews with publishers, academics, industry representatives • Recipient survey • Circulation audits • Review of CMFIS recipient reports • Leading national advertisers reports • Case studies
<p>4. Have there been any unintended impacts as a result of the PAP? The CMF?</p>	<ul style="list-style-type: none"> • Unintended impacts identified 	<ul style="list-style-type: none"> • Impact analysis of select recipients • Document and file review • Case studies • Comparison studies • Statistics Canada periodical and program database analysis • Key informant interview with PCH, officials, program managers, industry representatives, academics.

Evaluation Question/Issue	Indicators	Source/Method of Collection
Cost-effectiveness/Alternatives		
<p>5. Are the CMF and the PAP the most efficient and effective ways to achieve the government's policy objectives of addressing the competitive disadvantage faced by Canadian advertising-dependent magazines; strengthening the infrastructure in which the Canadian magazine industry operates; maintaining high levels of editorial content in small, high-quality, Canadian cultural magazines and in ensuring that Canadians from coast-to-coast have access to high-quality Canadian content publications and library books at reasonable costs?</p>	<ul style="list-style-type: none"> • Financial performance • FTE allocation within branch • Cost effectiveness of PAP (cost per output) • Cost effectiveness of CMF (cost per output) number of contribution agreements & CA \$s / employee • Recently-introduced service standards are met / not met • Evidence of possibility to increase cost effectiveness / lower delivery costs (e.g., use of technology, non-spending instruments, etc. exploited) • Alternate delivery models (public-private partnerships, third-party delivery mechanisms, etc.) identified 	<ul style="list-style-type: none"> • GCIMS • Document review • <i>CMF PAP Literature Review</i> PER-RD-50 gives alternatives by jurisdiction • Recipient survey • Program data • Literature review • Key informant interviews with industry representatives, academics, and PCH Managers.
<p>6. Do either the PAP or the CMF complement, duplicate, overlap or work at cross-purposes with other government support programs for Canadian magazines and periodicals?</p>	<ul style="list-style-type: none"> • Degree of complementarity, duplication, overlap of the CMF/ PAP with other government support programs, including the Canada Council of the Arts' support for freelance editorial, production and marketing costs 	<ul style="list-style-type: none"> • Key informant interviews with PCH management, industry representatives, academics, managers of other support programs (if identified) • Recipient survey • Literature review • Documents/ web site review <ul style="list-style-type: none"> • <i>CMF PAP Literature Review</i> PER-RD-50 gives other sources by jurisdiction
Adequacy of Performance Measurement		
<p>7. Are the performance measurement and reporting strategies for the PAP and the CMF sufficient to support reporting and evaluation requirements?</p>	<ul style="list-style-type: none"> • Appropriate performance measurement and reporting strategies have been implemented • Amount and type of data collected and managed by the PAP and the CMF • Percentage of funded files containing reports on results 	<ul style="list-style-type: none"> • Key informant interviews with program managers, industry representatives • Case studies • Funding file review • Document review <ul style="list-style-type: none"> • RMAF • SEC- 2001-2002 Results of Funding by project • SBDSMP – Types of projects undertaken

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Survey Response

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%

Support for Canadian Periodicals: Periodical Publishing Programs LOGIC MODEL (Source: Periodical Publishing Programs Results-based Management and Accountability Framework)

