

Highlights from the Consultations on Redesigning Federal Programs for the Periodical Industry

A summary document

Department of Canadian Heritage

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1. The process

Beginning in January 2008, the Department of Canadian Heritage sought public input to help with a proposed redesign of the Publications Assistance Program (PAP), which subsidizes mailing costs of magazines and non-daily newspapers, and the Canada Magazine Fund (CMF), which supports the creation of editorial content and business development for the magazine industry.

During the Department’s consultations between January and April 2008, approximately 300 stakeholders commented on the redesign of the PAP and the CMF. The consultations included eight stakeholder roundtables in six cities across Canada and a request for written submissions. The roundtables were generally well received by stakeholders, many of whom appreciated the opportunity to be heard and to network with their peers.

The consultation process was based on a discussion paper written by Canadian Heritage to provide a snapshot of not only the current federal funding programs for the periodical industry but some information on the policy context within which these programs operate. It contained descriptions of the PAP, the CMF, a summary of legislative measures and current industry issues, a proposal for a redesigned program, a listing of relevant resources and ten questions to help guide the consultations.

While many written submissions used the ten questions in the discussion paper as a template for their response, others simply used them as a starting point, while still others chose to address one particular aspect of the proposal in detail. Through both the written submissions and the roundtables, many stakeholders raised important issues not addressed by the original questions, such as the challenges of publishing outside of large cities and the eligibility for funding of unpaid circulation. Almost all submissions noted how important past financial support from the Department was to their organization and how critical it was that funding continue.

This paper is a summary of the comments that were received during the consultation process. It in no way attempts to analyze or prioritize the content of the submissions received by the Department, nor does it offer any commentary on this content from the Department.

Some notes on the written submissions

- Approximately 70% of the written submissions came from magazine publishers, with the remaining 30% coming mostly from newspapers, along with industry associations and on line publishers.
- While close to 80% of the submissions came from current recipients of the PAP or the CMF, about 20% were provided by non-recipients.
- The regional representation of the written submissions reflected the distribution of the Canadian population generally: central Canada accounted for just over 60% of the written submissions with approximately 30% originating in Western Canada. About 10% of the submissions came from the North and Atlantic Canada. Part of the purpose of holding in-person roundtables across Canada was to ensure representation from all regions to supplement the written submissions.

2. The proposal

Virtually all stakeholders supported the objectives of the program review, namely:

- design a program with increased budget predictability;
- streamline program delivery to simplify the application and reporting processes;
- create greater flexibility for publishers to make strategic business decisions;
- support transitions to digital technology;
- maximize returns for Canadians.

It was generally agreed that the vibrancy and viability of the Canadian periodical industry depended on a “positive policy environment” of government legislation and funding. It was argued that a robust industry meant a greater stimulation of the Canadian economy, more jobs for Canadians, a greater number and diversity of Canadian titles and a greater understanding of one another as Canadians.

Stakeholders recommended that public funding levels be at least maintained, if not increased. Many made the case that any significant decrease in overall funding would precipitate the closure of Canadian titles and weaken the industry as a whole. While it was noted that foreign split-runs have not materialized in the numbers feared nearly ten years ago after the 1999 Canada-US Agreement, the influence of a cultural superpower next door was often mentioned as the reason that public support to Canadian magazines and newspapers continued to be critical. American domination of the newsstand was discussed as another related issue—the top ten English-language single-copy magazines by revenue are American imports.

The timeline of the review was a top concern—many stakeholders felt that there is little to no time left to allow for a fully operational program to be in place by April 2009; therefore, most advocated for at least a transitional year and were very clear that businesses will be impacted by “sudden and severe cuts” if sufficient notice of changes is not given.

3. The ten questions

Below is the list of questions originally proposed in the Department’s discussion paper to help guide the consultation process. The Department received incredibly creative ideas, thoughtful arguments, enlightened commentary, and passionate pleas. While condensing the sheer volume and diversity of input was a challenge, what follows gives the highlights of what was heard. The quotations and points below are pulled from submissions but are not attributed to specific publishers to ensure anonymity. Please note that while some submissions did not respond using the ten questions, this paper reflects the bulk of responses below, fitting them in as appropriate.

1. *What do you see as the benefits of the Canada Periodical Fund proposal? What do you see as the challenges of the proposal? How could those challenges be corrected?*

- **One size may not fit all:** While many participants were supportive of the administrative efficiencies of a combined program, concerns were raised that a single program would be too generic to meet individual needs. Some stakeholders saw it as a vast sea that would take significant navigation and may indeed end up capsizing some publications—to carry the analogy further, most would prefer their own fishing pond where the locals, i.e. the program staff, understood their needs. There were indeed many advocates for a kind of silo approach where magazines and newspapers would have their own guidelines and funding that respected their particular realities.
- **Formula approach for flexibility:** It was suggested that a formula approach would allow administrators to target different levels of support “directly to specific recipients, such as arts and literary magazines, titles that incur higher costs because of rural delivery, newly launched titles, and other special needs.”
- **Less administration is key:** The focus on simplifying administration was attractive to stakeholders who were generally very sensitive to administrative efficiency. Effective administration was generally believed to be good for taxpayers, as it saves on government resources, but it was also welcomed by a publishing industry that is looking to save costs and time. However, there was a concern that attempts to do “too much” and achieve too many goals could make administration difficult.
- **Alternative distribution better in theory than reality:**
 - The bulk of submissions noted that Canada Post will remain the only viable distribution mechanism, especially for rural publications, for the foreseeable future; however, many respondents were supportive of a program with

flexibility to support other distribution methods. Some submissions noted that support for alternative distribution could create a more competitive environment over the longer term that would benefit users of all delivery methods.

- A number of respondents raised major concerns over Canada Post’s proposed move to distance-based pricing and generally felt at the mercy of Canada Post’s pricing increases.

2. *Are there successful elements of the current programs that are not included in the Canada Periodical Fund proposal?*

- **Current programs work fairly well:** Many respondents, especially at the round tables, believed that the existing programs were working generally quite well and felt that there was no need to fix a program that was not broken. Stakeholders particularly liked the timeliness of PAP payments and strongly opposed the idea of a once-a-year payment. Independent publications especially were concerned that only large corporations would be able to handle the once-a-year payment. Many respondents suggested that quarterly instalments would be more manageable.
- **Project-based funding important to small magazines:** Some concern was expressed over the lack of project funding for individual publications in the proposed program as project-based funding is very important for certain publications. The project-based approach “allows publishers to identify areas in which support would be most effective; these areas change over time as a business grows.” It was noted especially that in rural areas, it is almost impossible for small magazines to fund investments in business improvement without this support.

3. *Where should the federal government target its investment in periodicals to create the greatest public benefit? Are there areas or activities that no longer require support? Is the greatest need for support for distribution, support for creation of content, or support for another activity?*

- **Distribution a priority:** Assistance for distribution costs was a top concern for many publishers, with some noting that if they received financial assistance to their distribution costs, this could assist them with content creation by freeing up funds for editorial services. Some submissions suggested that *only* distribution costs be supported in a new program as the most objective, “elegant” way to ensure efficient administration. Others did not emphasize distribution costs as strongly, but almost all raised this issue in some way.
- **Editorial support also key:** In addition to distribution, there were as many submissions that supported the continuation of funding to the editorial side, with proponents arguing that one of the pillars of public policy in the publishing arena

should remain the creation of Canadian content. The Department heard that smaller magazines have more fragile business models.

- **Other expenditures should not be forgotten:** For some, especially smaller and newer magazines, “editorial costs may be low as a proportion of overall expenditure, (but) other costs — which would be ineligible under the proposed fund — are a much higher portion of total costs. These include costs of promotion, reaching new readers, trade show attendance, producing marketing materials, (and) growing advertising sales.”

4. *What types of publication should receive funding under the proposed new program? What types should be excluded? Why?*

- **Eligibility should be based on sound business:** One respondent summarized it as such: “Eligibility should have nothing to do with the method of distribution, paid or not paid. It should have everything to do with sound business plans, targeted market and eventually being able to make their own way without government funding.” However, various submissions remarked that business models will look different for non-profits where mandates vary considerably compared to for-profit companies. The Department heard that, given market forces, it may not be practical to expect some segments of the industry to exist without government support.
- **So what business models to support?**
 - Free circulation publications noted that the model of total market coverage is attractive to advertisers. They argued that if one of the objectives of the program is access, they offer Canadians total access. Electronic magazines made the same argument — they may be free, but they offer access in the virtual environment. Publishers of free or e-periodicals believed they should not be judged based on a particular business model.
 - Conversely, those publications on a subscription model argued that subscribers who are willing to pay for a periodical demonstrate that the content is valuable and advertisers have access to subscribers who are committed to reading the periodical. Some of these stakeholders also noted that they have higher subscription fulfillment costs.
 - Aboriginal and ethnocultural publications often questioned the 50% paid subscription requirement in environments where unemployment can be higher than average and where local economies are sometimes weak.
- **Committee of experts:** Some stakeholders made the suggestion that “committees of publishers in each sector should assist Canadian Heritage in defining appropriate eligibility criteria for each sector in the industry.”

- **Definition of an eligible publisher:** Ideas heard here included ensuring that publishers demonstrate that they will publish “with continuity; publish at least quarterly; maintain a fixed or known office”; additionally, there seemed to be little interest for eliminating the current requirements for design, writing and printing being done in Canada.
- **Eligible formats:** One respondent stated that “criteria should not be based upon random and arbitrary characteristics.... Publishers should be free to choose the formats that best meet the needs of their business models and their subscribers.” It was argued that trying to control requirements at this level would decrease publishers’ ability to innovate.
- **Speciality publications:** Some publications, such as peer-reviewed medical and scholarly journals, tended toward loosening Canadian content restrictions (or at least modifying the definition), were supportive of electronic media and believed that association publications should qualify for any new program. They generally welcomed the idea of funding international distribution.
- **Capping large publishers:**
 - There was support, especially among small publishers, for establishing a limit (a cap) on how much funding individual publishers could draw from any new program — suggestions ranged from an outright cap of \$5 million per publisher to implementing a formula that would reduce the amounts given to the top 20 publishers to 50% of the overall budget. Some organizations criticized public funding of companies with large ad revenues.
 - It was suggested, however, that implementing caps could decrease the amount of titles published, especially any that are marginal, and even alter how companies make new acquisitions: if a publisher’s funding were capped, “then the company would effectively be prevented from acquiring another magazine” that already received funds. “Or a company could perhaps sell a magazine to others who could get more funds for the same magazine.”

5. *Do you have any input on the design of the proposed Aid to Publishers component? This question included the consideration of factors, such as profitability and need, definition and levels of Canadian content, increased support to specialized publications (official-language minority, ethnocultural, Aboriginal, and rural communities), and use of an ad-to-editorial ratio.*

- **Canadian content definition and levels:** There were many ideas regarding how to determine Canadian content. For example, some magazines noted that sourcing Canadian photography for certain topics is challenging and that the content rules for photographs need to be different from print. Most felt that the 80% level was a good baseline and should be kept. In the end, most respondents hoped for a definition that was easy to administer, even if it might not be perfect.

- **Profitability or need?** Profitability was another issue tackled by respondents. Many agreed that basing the program on profitability is problematic. The industry generally believed that success should not be penalized, that need is difficult to determine subjectively, and that success for non-profits must always be evaluated differently than for-profit companies. This question launched a vigorous debate between respondents on what success means: is it purely economic, is it about reaching readers, or is it the elusive element of quality, or something else entirely?
- **Ad to editorial ratio a topic of great interest:**
 - Free circulation magazines did not support a low ad-to-editorial ratio. Other submissions made statements such as “advertising revenues pay the bills and help support the creation of Canadian content and its distribution. Reducing allowable levels of advertising in program-supported magazines may lead to a higher dependence on the program and weaker financial results.”
 - Another submission suggested the idea that “publications that choose not to accept advertising, or are able to attract only minimal advertising, should receive higher subsidies (because) such publications deliver a higher percentage of content for the benefit of the reader than publications filled with multiple pages of advertising.”
 - Some stakeholders, amongst them children’s magazines, advocated for abolishing the 5% minimum requirement for advertising.

6. *Will the proposal meet the cash-flow needs of publishers? Should payments be more frequent than once a year?*

- **One payment a year might be a problem:** Ongoing payments were generally preferred to a one-time payment that could present some significant financial difficulties, especially if there was not enough time for business practices to be modified to accommodate an annual payment. While a small number of respondents were in support of one annual payment, especially if it were an advance at the start of the year, the majority favoured at least two payments a year, with many publishers citing quarterly payments as being the best option.

7. *Should the proposed program be expanded to support Web-only publications? Or should we continue with the current practice in the CMF of supporting digital ventures only for print-based publishers?*

- **It’s not business as usual:** There was definite interest in supporting electronic media and an understanding that e-zines and papers are changing the way business is done. However, a variety of submissions advocated for a different or new program to support these publications. Concern existed over what an acceptable definition of an electronic publication might look like (there was not much appetite to support formats, such as blogs, for example). Some comments queried whether electronic publications were a different type of publication or

simply a different distribution method. The newness of this area, and the uncertainty that it posed, were the basic arguments made against including electronic media in an established print program. A portion of respondents felt that Web publications should only be supported if they were extensions of existing print versions. A minority of submissions campaigned for opening up the program fully to online publications.

8. *What do you think the impacts would be of incorporating financial incentives for effective environmental practices into the proposed program?*

- **Industry already committed to becoming more green:** While the majority of stakeholders favoured effective environmental practices and felt that the industry's environmental footprint was indeed an important issue, many believed that the industry is already doing what it can and did not support incorporating financial incentives for industry greening into a new program. The distinct majority of stakeholders felt Canadian Heritage should promote "Canadian culture and community building" and not environmentalism, an area viewed as a government-wide priority.

9. *Should the proposed program put a greater emphasis on appropriate compensation for writers and other creators? If yes, how could this be done?*

- **Creators are critical, but...** most stakeholders felt that one program can only be expected to tackle so many issues effectively. While a minority supported some mechanism to support creators more directly, this issue, like environmental incentives, was generally considered by respondents to be outside of the scope of what would be reasonable to expect from any one program. Most submissions maintained that they could tackle these issues based on their own business models.

10. *Do you have an alternative proposal we should consider?*

- **Most submissions did not list alternative proposals,** although a handful of organizations put forward detailed alternatives. The Department is studying useful elements from many of the submissions.

4. Next steps

This summary provides a synopsis of what the Department heard. Any new program, however, must be based not only on ideas but on an evidence-based case for government intervention, government funding guidelines, and other factors. Program details must be discussed and finalized. Any new program will require new guides and new processes within the Department to support it. The Department understands that time is critical and is working diligently to meet both the needs of Canadians and industry expectations.