

~~CONFIDENTIAL~~

*Southam - Expert
Aug. 16/91*

CT-90/1

THE COMPETITION TRIBUNAL

IN THE MATTER of an application by the Director of Investigation and Research for orders pursuant to section 92 of the Competition Act, R.S.C. 1985, c.C-34, as amended;

AND IN THE MATTER of the direct and indirect acquisitions by Southam, Inc. of equity interests in the businesses of publishing *The Vancouver Courier*, the *North Shore News*, and the *Real Estate Weekly*;

COMPETITION TRIBUNAL		P R O D U I T
TRIBUNAL DE LA CONCURRENCE		
AUG 16 1991 <i>RB</i>		
OTTAWA, ONT. #159		

BETWEEN

THE DIRECTOR OF INVESTIGATION AND RESEARCH,

Applicant,

- and -

SOUTHAM INC., LOWER MAINLAND PUBLISHING LTD.,
RIM PUBLISHING INC., YELLOW CEDAR PROPERTIES LTD.,
NORTH SHORE FREE PRESS LTD., SPECIALTY
PUBLISHER INC., ELTY PUBLICATIONS LTD.,

Respondents.

COMPETITION TRIBUNAL
TRIBUNAL DE LA CONCURRENCE

State of California)
County of Santa Clara) ss.

File No. CT-90/1
 No. du dossier CT-90/1
 Director v Southam Inc.
 et Southam Inc.
 Exhibit No. R-50; 14:37
 No. de la pièce R-50; 14:37
 Filed on January 13, 1992
 Déposée le January 13, 1992
 Registrar [Signature]
 Greffier [Signature]

AFFIDAVIT

I, JAMES N. ROSSE of Santa Clara County, in the State of California, in the United States of America, MAKE OATH AND SAY:

Introduction

1. My name is James Nelson Rosse. My home is at 66 Peter Coutts Circle, Stanford, CA 94305, U.S.A.

2. Since September 1984, I have been Provost of Stanford University, Stanford's senior academic officer. I am also Professor of Economics at Stanford and have served at Stanford as Department Chairman in Economics, Associate Dean of the School of Humanities and Sciences, and Director of the Center for Economic Policy Research.

3. For the past 25 years, my research specialty has been the economics of industrial organization, a specialty in economics that involves the study of industrial markets and the firms that operate in them. My main focus has been on communication industries, particularly advertising-supported media such as newspapers and television. In the course of that study, I have examined the daily newspaper industry as a whole-- primarily through econometric research of newspaper economics -- and many individual daily newspapers and newspaper markets through case studies, in the U.S., Canada, and elsewhere. I have also studied the telecommunications industry for over a decade, in both the U.S. and Canada.

4. I worked in the daily newspaper industry for some years before I began my academic career. I was a "market runner" for the *Omaha Daily Journal Stockman* in my teenage years, and from 1952 to 1961 I worked as a mailer for the *Omaha World-Herald* and the *Minneapolis Star and Tribune*.

5. I have been active for 20 years in consulting to daily newspapers, principally in connection with U.S. antitrust matters and Joint Operating Agreement applications under the Newspaper Preservation Act. In these contexts, I have studied local newspaper markets in Cincinnati, Seattle, Honolulu, San Francisco, Detroit, Dallas, Toronto, Montreal, Ottawa, Winnipeg, Vancouver, and elsewhere. In Canada, I have previously appeared as an expert witness in connection with Combines litigation against Southam and Thomson Newspapers, involving newspaper closings in Ottawa, Montreal, and Winnipeg, and the transfer of ownership of Pacific Press to Southam.

6. Exhibit A to this affidavit is a true copy of my curriculum vitae, which reports my research activity in more detail.

Scope of Work

7. In the present case, I was asked by counsel for Southam to form an opinion as to whether the acquisition by Southam of several community papers in and near Vancouver caused it to be able to exercise monopoly power in any significant market for the sale of advertising in the Vancouver area. To reach any conclusion on this matter, I had to consider what market or markets for advertising exist in the Vancouver area, and specifically to consider two questions. First, do the Southam dailies in Vancouver (the *Province* and the *Sun*) compete in the sale of advertising with the community newspapers in and around Vancouver? Second, in any markets in which they do compete, what other competitors, present or potential, exist?

8. To form my opinions, I considered both information specific to the Vancouver area and my prior experience in study of newspaper markets elsewhere in North America. I reviewed many of the documents submitted as evidence in this case by Southam; I also reviewed the affidavit evidence of other expert witnesses in this case.

9. In summary, I believe the acquisitions are not likely to reduce competition substantially in any advertising market in the Vancouver area. For many types of advertising, the Vancouver daily newspapers and the community papers were not direct competitors prior to the acquisitions and continue not to compete. Where they do compete, either prior to or as a result of the acquisitions, they face other strong competitors, principally Canada Post and other distributors of free-standing flyers, and also electronic media (radio and television). They also face the threat of competitive entry, or competitive expansion by other weeklies in the market, in response to any significant price increase or other failure to serve the market well.




10. In the remainder of this affidavit, I will explain the basis for my opinions. In the next section, I will describe the principles of the economics of daily newspapers and other advertising-supported mass media. Following that, I will use these principles to examine how media compete in general and how they compete in the Vancouver area.

Economic Principles Underlying Media Competition

11. Daily newspaper are sold in two distinct but closely-related sets of markets: markets for circulation (also called audience or readership) and markets for advertising. Closely related to these two sets of markets are the two principal factors that dictate newspapers' costs: the number of copies produced each day and the size of each copy. Two key properties of these facts define the nature of competition between daily newspapers and, of more immediate interest here, their competition with other media.

12. First, success in one of a newspaper's markets reinforces success in the other. Advertisers are not simply buying space in a newspaper; they are buying exposure to potential customers. Thus, all else equal, a newspaper with a greater circulation is more valuable to an advertiser than one with a smaller circulation. On the other side, readers buy a newspaper for the information it contains, and the advertising, especially the retail and classified advertising, is an important part of that information: prices and availability of things people want to buy, entertainment information, etc. So, all else equal, the more relevant advertising a newspaper contains, the more attractive it is to readers.

13. Second, production of copies and production of space are both subject to economies of scale; that is, all else equal, average costs decline with volume. If a newspaper's circulation grows, its cost per circulation drops, all else equal. If its advertising volume grows, its cost per page drops, all else equal. The limitation "all else equal," a common one in economic analysis, means that only the thing being examined



is allowed to change, while all other things, except the direct effects of that change, are held constant. In this context, it means we are considering a change in circulation with the size of the paper, among other things, held constant, or a change in the size of the paper with the circulation, among other things, held constant.

14. I have observed both these relationships -- the interaction between demands for advertising and circulation and the economies of scale in copies and in pages -- in all my econometric work and my case studies of many daily newspapers, in the United States, Canada, and elsewhere. While I have found some national differences in various countries' daily newspaper industries (and even Canada's French press differs somewhat from its English press), the basic principles I will describe in the following paragraphs apply broadly.

15. Together, these relationships make it difficult for two or more daily newspapers to survive in direct, head-to-head competition -- that is, competition for the same readers and advertisers in the same geographic area. If one head-to-head competitor has a slight circulation or advertising advantage, this translates directly into both lower costs and increased attractiveness in the other market. While failure of the smaller paper is not automatic or inevitable, the larger paper gains an advantage that, with competent management, can be decisive.

16. The historical consequence of these relationships has been the disappearance of direct competition between daily newspapers in all but the largest cities in the United States and Canada. As other media developed -- radio, television, direct mail, specialty magazines, and others -- newspapers were less able to attract distinct readerships in a geographic market by their traditional means of content differentiation: politics, level of reading difficulty, the mix of local, regional, and national news, the mix of features, and a focus on specific types of consumer markets. More and more, they were forced to compete head to head, and as a result, their numbers have declined dramatically in both the U.S. and in Canada.

17. In the United States, in 1923 there were 502 cities with 2 or more daily

newspaper firms, 39% of the cities that had daily newspapers. By 1983, only 29 cities had 2 or more papers, just 1.9% of the cities that had daily newspapers. Since 1983, the number has declined further, with closings or joint operating arrangements in Colorado Springs, Detroit, Las Vegas, York (Pennsylvania), and others. In Canada, there was a similar decline (in the English-language press). In 1923, 20 cities had 2 or more daily newspaper firms, 32% of the cities with daily newspapers. By 1983, that number had dropped to 8, or 8% of the cities with daily newspapers. And by 1990, the number of cities with 2 or (in the case of Toronto) more English-language dailies had dropped to 6, with *Sun* papers as the second paper in 4 of the 6.

18. Often, the competition that survives is not direct. The largest markets, such as New York City and Toronto, can still support several dailies because they are big enough that the papers can get the benefits of large size while still appealing to readers with different demographic characteristics. Elsewhere, the newspapers specialize geographically: a single center-city newspaper competes with several smaller, suburban papers; San Francisco, Los Angeles, and Detroit are examples of this form of competition.

19. Accompanying the decline in head-to-head competition has been an increase in indirect competition among papers from different geographic areas. The most widely-known examples of this are the "national" newspapers -- in Canada, the *Globe & Mail* and the *Financial Post*, in the U.S., *The Wall Street Journal*, the *New York Times*, and *USA Today* -- but there has also been increased competition from papers published in nearby areas (such as San Jose and San Francisco). This is largely the result of declining transportation and communication costs, which make it economical to distribute papers over greater distances either physically or via remote printing.

20. Finally, daily newspapers compete with other media: weekly newspapers, local magazines, electronic media -- radio and TV -- direct mail, and even such things as billboards and Yellow Pages. This competition is differentiated in the same way that the newspaper competition that remains is -- through different geographic coverage,

differences in audience demographics, and differences in the character of the messages (advertising and other content) that each medium can best offer. I will discuss this sort of competition, and the evidence for its existence, in the next few paragraphs.

21. Competition among media varies in strength depending on the particular media involved, the type of advertising, and the particulars of the markets. Other media operate on the same economic principles as do newspapers, though the patterns of differentiation are more complex, with "subject matter" differentiation -- such as specialty magazines and weekly papers that specialize in entertainment or real estate -- more important.

22. Overall, my research has found consistent evidence of competition between daily newspapers and these other media, both in the U.S. and in Canada.

23. First, my econometric research found competition between daily newspapers and television. In a study of cross ownership based on 1960 data, I and others found that when the local newspaper owned a television station, both were able to charge higher prices for national advertising.

24. Second, the response of the United States' advertising community to a change in the price of direct mail advertising indicates that direct mail competes with daily newspaper insert and ROP advertising. In the early 1980s, there was a sharp reduction in the cost of using the U.S. mails to distribute flyers on a "shared-mail" basis (where 2 or more flyers are distributed as a single piece of mail). This price change led to a shift of much advertising that had run as local ROP advertising in daily newspapers first to inserts in the paper, then to direct mail delivery, bypassing the paper entirely. Exhibit B to my affidavits is a collection of articles from the trade press that describe some examples of the shift. Overall, in the 1980s, direct mail gained in share of total U.S. advertising dollars from 14% to 18%, while daily newspapers' share declined from 29% to 25% [Source: McCann-Erickson].

25. Third, observation of the behavior of daily newspapers indicates that they act as though they compete against direct mail. Throughout the 1980s, ANPA (the

Americal Newspaper Publishers Association, a major industry group) was active in hearings to set rates and rules of postal service. ANPA's main effort was to raise rates for third-class mail (the class used by flyer distributors) and restrict the circumstances in which several pieces could be combined to save money. Exhibit C to my affidavit is some articles from the trade press describing ANPA's campaign. Note that, to an economic analysis, the motives ANPA offers for its campaign are less important than the fact that ANPA is willing to commit funds and staff time to the campaign; this is evidence that the campaign is of economic importance to newspapers.

26. In the mid-1980s in America, ANPA waged a similar battle to block telephone companies from offering "Electronic Yellow Pages" services. Although ANPA offered many arguments for opposing entry, here too the best economic interpretation of ANPA's motive is that its members saw an "Electronic Yellow Pages" as a new and effective competitor for newspapers' classified advertising business. Exhibit D to my affidavit is a collection of articles describing ANPA's efforts here.

27. Fourth, newspapers and other media act like they compete with one another. In my work, I have seen this pattern in every media market I have studied. Here, I will illustrate it with published material and material from Vancouver.

28. The *Sun* and the *Province* prepare, for their advertising sales force, material that summarizes market research done by and for them. A common theme of this material is that advertising in the *Sun* and the *Province* is a better way to reach one's customers than is some other medium: radio, TV, flyers, community newspapers, etc. Exhibit E to my affidavit provides some examples of this material. What is significant to an economic analysis is not the details of the argument in this material; of course, the *Sun* and the *Province* claim to be different from and better than other media. What is significant to me is that the material exists at all. If newspapers did not compete with these media, they would not need to prepare material that helps their sales forces "sell against" the other media.

29. The same behavior can be seen in the actions of flyer distributors. Here, I

have seen efforts by flyer distributors to "sell against" daily newspapers. Both Advo Systems and Canada Post have argued that direct mail is a cost-effective substitute for inserting in daily newspapers. Advo has prepared written material on this (see Exhibit F to my affidavit), and the affidavit of Jack Mar reports on similar presentations by Canada Post. In the United States, the Postal Service has been restricted from actively promoting direct mail as a substitute for inserts, but even so, last year an assistant postmaster general had to resign after making what newspapers characterized as "inappropriate remarks" about competition among media, such as encouraging businesses "to shift advertising dollars from newspapers, spot television, and radio to direct mail. We're going to show them how a well-targeted mail campaign costs less than the competition and can produce more measurable results" [*Editor and Publisher*, March 3, 1990. page 41]. Again, what matters is not the correctness of these arguments but the fact that they are made at all. At times, companies might fail to recognize a source of competition, but it is very rare for one to see competition where it does not exist.

30. Newspapers in other markets have published reports on how they responded to flyer competition with a combination of readership research and price cutting. A sample is in Exhibit G to my affidavit. Also, national organizations (the Newspaper Advertising Bureau in the U.S. and CDNPA in Canada) have prepared reports advising their newspaper members on how to respond to flyer competition (see Exhibit H to my affidavit). Once more, what is interesting here is not the details of these reports and campaigns, but the very fact that they exist, that newspapers felt them worth undertaking.

31. In this litigation, advertising expert Mr. Mar describes in his affidavit how, when he was responsible for Woodward's' ad campaigns, he shifted out of daily-newspaper ROP advertising into inserts, then freestanding flyers. He also describes shifts to and from electronic media that were based largely on changes in relative costs, a pattern that indicates that the media compete actively.

32. Other media too show evidence of competing against daily newspapers. Recently, Canada's Radio Marketing Bureau has begun a program to assist local radio stations to compete effectively against daily newspapers. The affidavits of advertising agency experts in this litigation -- specifically, Ms. Kirkwood, Mr. Stanger, and Mr. Thomas -- offer many examples of advertising campaigns in which daily newspapers competed with radio and or TV for a client's ad dollars.

33. Finally, the most pervasive competition among all media is for the attention of readers or viewers. This competition is central to competition for advertising because advertisers do not simply buy space in a publication or air time; they buy access to an audience. No matter what advantages "print" or any other physical medium might seem to have for some types of advertising, it can sell those advantages only to the degree that people read, listen to, or watch the medium.

34. Overall, the pattern of competition that I have found between daily newspapers and other media is exactly what an economist would expect differentiated competitors to do. They compete on both price and product attributes, investing to change those attributes in order to enhance their abilities to compete. Weekly newspapers and shoppers, for example, grew in response to a decline in the household penetrations of daily newspapers. Dailies, in turn, developed Total Market Coverage programs to keep advertisers or attract them back to the paper. At the same time, price competition is also important, illustrated by the examples I cited above of newspapers cutting their insert prices in response to increased competition from direct mail.

The Nature of Advertising Competition Among Media

35. Advertisers are very diverse. They differ in what they are selling, where they sell it, their size, and the kinds of advertising that they believe will make their businesses successful. In an important sense, advertising -- even a subdivision of advertising such as retail advertising -- is not one market but many, with different types

of advertisers having different tradeoffs and strengths of demand. For these reasons, every medium does not compete equally well for every advertisement. Because the competitors are differentiated, they have strengths and weaknesses that give each advantages with respect to different types of advertising.

36. One important sort of differentiation is geographic. Advertisers want to reach not just any readers; they want to reach potential customers, and (for retail advertisers) this means readers who live or work close enough to a business to be willing to consider shopping at it. For different types of businesses, "close enough" can have different meanings. Large, center-city department stores and businesses specializing in "big ticket" items (such as auto dealers) can draw from a wider area than, say, small grocery stores and neighborhood shops.

37. Geographic specialization leads such advertisers to tend to prefer different media. Businesses with wide geographic draw find it most economical to use media that achieve low cost-per-thousand (CPM) advertising prices through large scale: daily newspapers and electronic media, for example. More-local businesses use more localized media -- suburban and community newspapers, shoppers, zoned cable TV, etc. -- that are often more expensive in cost-per-thousand terms (because their smaller geographic scope requires them to forgo the benefits of scale economies) but that are more cost effective because they do not distribute ads to large numbers of readers residing outside the advertisers' geographic draw. All levels can use flyer distribution -- either through the mail, as inserts in other print media, or through independent distributors -- by using services that zone to the degree the advertisers need to reach their potential customers.

38. With geographic specialization, in any metropolitan area these several "layers" of competition constitute distinct markets; metro area wide, large suburban cities, and smaller cities and neighborhoods are one such division. But while they are distinct, these markets are not entirely independent of one another. Any medium operating in one "layer" competes most directly with the other close-at-hand

competitors that function on the same level. To a lesser degree, it competes with media one market level above or below, where advertisers have interests that can be served at each level.

39. Different types of advertisers also have different demands for advertising and different tradeoffs between media, which lead to their using different media mixes at any given set of prices. Some retailers -- supermarkets are a prime example -- do detailed product-price advertising, so have a relative preference for print media that prospective customers can refer to at their convenience. Other retailers -- auto dealers are an example -- may advertise prices, but mainly seek to give the general impression that they offer good value, so a mix that includes more "perishable" messages, such as TV and radio ads, can be attractive.

40. Advertising can have other motives as well, such as providing information about locations where an already-desired product can be found (entertainment ads, for example), shaping the way we think about products (much national advertising is of this sort), and "teaching" prospective customers how they might use a new product (ads for home computers seem to do this). Each type of advertising has different characteristics.

41. Even so, to say that these advertisers have preferences does not mean that media do not compete for their business. While multi-media advertising programs are often designed to use the media in a "complementary" way, judgments about the most efficient mix must take into account the relative prices across media. In the affidavits prepared by advertising agency experts, I have read several examples that challenge the rules of thumb I just described, such as a cellular-phone ad campaign and a supermarket chain's weekly price ads that use television effectively to advertise specific prices.

Application to Vancouver

42. Although unique in many other respects, with respect to media

competition, the Vancouver metropolitan area is a typical North American city. When I first studied Vancouver in the early 1980s, I found that the models of newspaper and media competition that I had developed in my work applied well to the situation there; I continue to believe that Vancouver has the main characteristics common to North American newspaper markets.

43. Vancouver is served by a single newspaper entity, Pacific Press, that publishes a morning daily, the *Province*, and an afternoon daily, the *Sun*. Being surrounded by mountains and the sea, and near a national border, its suburban growth has been somewhat restricted. As in other Canadian metropolitan markets, its suburban growth has been more city-focused than is true of United States markets. Suburban daily newspapers have not developed. Surrounding communities, and the city itself, do have many weekly newspapers, including the *North Shore News*, the *Courier*, several other weekly papers controlled by Southam, 15 papers in the Metro Valley Group (owned by Hacker Press, Inc.), and at least 5 others.

44. Vancouver has many radio and television stations. 7 Canadian TV channels reach Vancouver, as well as 7 American channels. 92 percent of households are passed by cable and 72% have cable converters, providing additional channels. [Source: *Media Digest 1990-91*, p. 23] Vancouver has 20 Canadian radio stations and 2 additional American stations. [Source: *The Financial Post*, p. 376]

45. Vancouver has many channels for the distribution of flyers. A principal one is Canada Post, which will deliver unaddressed flyers to all stops on a postal walk, allowing a considerable degree of geographical targeting for flyers. There are also private delivery services for flyer distribution

46. In this framework, the Pacific Press dailies do compete with the *North Shore News* and the *Vancouver Courier* in their geographic markets (the North Shore and residential Vancouver, respectively), but their competition in these neighborhood markets is, for both Pacific Press and the weeklies, secondary to competition from other media that attract advertising on the same geographic layer. Under their present and

pre-acquisition pricing, the *Sun* and *Province* are and were too expensive to compete actively for this local business.

47. I am told that, in Vancouver, some advertising is sold at negotiated, "off-card" rates. While this limits the accuracy of cost-per-thousand comparisons based on rate cards, they remain useful as illustrations of the magnitude of the differences. Based on the rate cards in effect in January 1990 and the circulations claimed at that time, the CPMs are:

Paper	Open Line Rate	Circulation	CPM
<i>Sun</i>	6.45	214,528	30.07
<i>Province</i>	3.93	183,027	21.47
<i>North Shore News</i>	2.10	59,700	35.18
<i>Vancouver Courier -</i>	Wed. 1.65	65,000	25.38
	Sun. 2.19	120,000	18.25

These rates, of course, are based on the entire circulations of the papers. At that level, the papers, while their CPMs are widely scattered, are priced broadly in the same range. But what happens if a retailer is interested in, say, only Vancouver and the North Shore? Then the *Sun's* or the *Province's* line rates have to be divided by the smaller circulation (approximated here by their City Zone circulations, which also include Richmond and Burnaby) it has in these areas, leading to these, much higher CPM rates:

Paper	Open Line Rate	Circulation	CPM
<i>Sun</i>	6.45	129,631	49.76
<i>Province</i>	3.93	83,132	47.27

Thus, even for someone who wants to reach both the North Shore and residential Vancouver both, but not the rest of the metro area, the dailies are substantially more

expensive.

48. Advertiser behavior is consistent with these relative prices: the local ROP advertisers who use the *North Shore News* and the *Vancouver Courier* do little advertising in the *Sun* and the *Province*, the few exceptions being for such things as annual sales that might attract customers from a wider area.

49. What remains is the possibility of competition in the future, for example, that Pacific Press will modify its zoning to try to compete for the neighborhoods. But, of course, economic principles and this experience do not permit one to rule out such speculation, though it is far from clear whether it is a real possibility, that is, one that Pacific Press could find profitable at any competitive prices. In the markets I have studied, daily newspapers have not been notably successful in such efforts, for a variety of reasons mostly having to do with the higher costs of wide-area editorial and advertising-sales departments. Even should such a threat of competition be real, it is minor compared to the other present and potential competition the community papers face in their local markets.

50. Active competition comes from others who deliver flyers, both Canada Post and the private delivery services that operate in the Vancouver area. In his affidavit in this proceeding, Mr. Jack Mar identifies 5 ways to distribute flyers in the North Shore and the City of Vancouver: Pacific Press, Van Net (the Southam weeklies), and 3 others -- Canada Post, the Metro Valley weeklies, and Maple Leaf Flyer Distributor.

51. Potential competition comes from the threat of entry by competing community papers, shoppers, and flyer delivery services. In the United States, I have seen community newspaper entry in many of the markets I have studied. While such entry requires some skill and expertise, it does not require unusual gifts, and the United States has had no shortage of entrepreneurs to start these businesses. Entry can occur other than by the abrupt appearance of a full-blown, weekly paper with an elaborate editorial product; it might be (and often has been) gradual, with a flyer delivery service

adding a shopper to serve as a "wrapper" for several inserts, then the shopper gradually becoming more important, perhaps developing an editorial product that develops a local following.

52. Similarly, the community papers do compete with the *Sun* and the *Province* for advertising from area-wide retailers, but this competition too is secondary to competition from media that cover the same geographic scope as the dailies. For the large retail stores and chains that are the principal area-wide advertisers, more immediate sources of competition are Canada Post and other flyer delivery services, and for many sorts of advertising the electronic media, radio and TV. The affidavits of the advertiser experts in this litigation offer several examples of this sort of competition.

53. Southam's experience in Vancouver and elsewhere provides several examples of the competition its dailies face from flyer distribution. Exhibit I is some documents that reflect losses of insert advertising by Woodward's and Sears to flyer distribution by Canada Post. I am told that Eaton's, the Bay, and Home Hardware have made similar changes. And, of course, in the United States, these losses have been widespread.

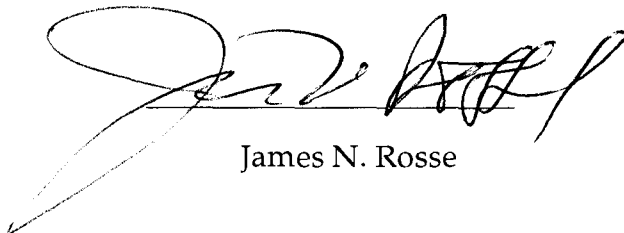
54. The results of the Angus Reid survey of advertisers are consistent with this economic analysis of media competition in the Vancouver area. Because the study was just completed, I have not had the opportunity to review it in detail. I note that it shows that many advertisers in daily and community papers use many other media as well, and they are willing to consider a broad range of alternatives to newspapers in response to a price rise.

Conclusion

55. All advertising media compete to some degree, and thus the Pacific Press dailies -- the *Sun* and the *Province* do compete to some degree with the *North Shore News*, the *Vancouver Courier*, and other community papers in the Vancouver metropolitan area. But that competition is a small part of the competition that both the

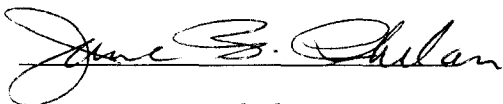
dailies and the community papers face. For retail advertising, this competition comes from Canada Post, shoppers, independent flyer distributors, radio, television, and other media.

56. Based on my analysis of this market and my studies of media economics in many U.S. and Canadian cities, I believe that Southam's acquisition of the community papers is unlikely to give it the power to raise prices for advertising substantially above the level that would have been possible absent the acquisitions.



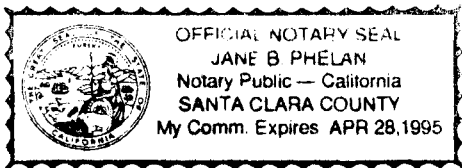
James N. Rosse

Subscribed and sworn before me
on August 16, 1991.



Jane B. Phelan

A Notary in the State of California

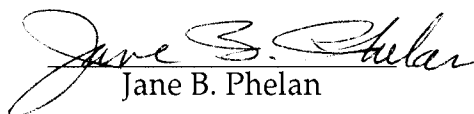


List of Exhibits
Accompanying the Affidavit of
James N. Rosse

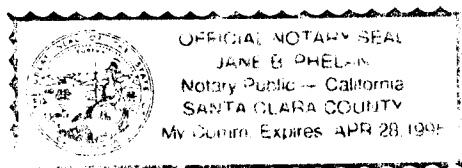
Letter	Paragraph	Description
A	6	James N. Rosse, curriculum vitae
B	21	Trade press articles describing shift of ads from ROP to insert to marriage mail
C	22	Trade press articles about ANPA campaign for high third-class mail rates and restrictive rules
D	26	Articles about ANPA campaign to restrict telephone companies in "Electronic Yellow Pages" and related markets
E	28	Samples of Pacific Press advertising support material that illustrate competitiveness with other media
F	29	Samples of Advo Systems materials that "sell against" newspaper advertising.
G	30	Published account(s) of how newspapers fought back against direct-mail competition
H	30	NAB and CDNPA strategy pieces about responding to flyer distribution competition
I	53	Material reflecting newspaper losses of inserts to Canada Post.

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This is Exhibit A to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

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James Nelson Rosse

Curriculum Vitae

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Position:

Professor of Economics, Vice President and Provost, Stanford University

Education:

1963-66 - PhD in Econ, Math Minor	University of Minnesota
1961-63 - MA in Econ, Stat Minor	University of Minnesota
1960-61 - BS in Econ	University of Minnesota
1952-53 - no degree	Omaha University
1949-52 - no degree	Princeton University
1945-49 - diploma	Omaha North High School

Honors:

Post-doctoral -
 Dean's Award for Distinguished Teaching
 Ford Faculty Fellow

Doctoral -
 American Economic Association Dissertation Award
 NDEA Fellow, NSF Fellow and Ford Doctoral Fellow (declined)

Undergraduate -
 Graduated with High Distinction, Phi Beta Kappa, Beta Gamma Sigma and Delta Sigma Xi awards
 Dean's Honor Roll at Omaha University
 University Scholar at Princeton

Personal:

Born 4 November 31 at Sidney, NE
Married Janice Grimminger Rosse, three adult children

Employment:

1965 - present	Assistant, Associate and Full Professor, Stanford University, Stanford, CA
1963 - 65	Instructor Univ. of Minn., Minneapolis, MN
1955 - 61	Mailer Minneapolis Star & Tribune, Minneapolis, MN
1953 - 55	Mailer Omaha World-Herald, Omaha, NE
1950 - 51	Newsroom Omaha Daily Journal-Stockman, Omaha, NE

University Service:

Department of Economics Chairman, Vice Chairman, Acting Chairman and many committees
Stanford Judicial Council
University Committee on Investment Responsibility
Provost's Committee on Telecommunications Studies
School of Humanities & Sciences Appointments and Promotions Committee
Academic Council Committee on Undergraduate Studies
Senate of the Academic Council
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Funded Research:

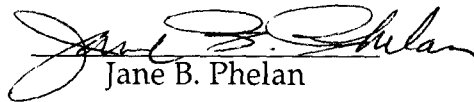
RAND Corporation, "Future of Mass Communication"
Brookings Institution, "Workshop in the Economics of the Press"
NSF, "Communications Technology and Public Policy"
NSF, "Economics of Computer Communications Networks"
NSF, "Issues of Economic Policy in Regulated Industries"
Twentieth Century Fund, "Economics of the Daily Press"
NSF, "Use and Abuse of the Regulatory Process in the Solar Energy Space Conditioning and Water Heating Industry"
CEPR, "Empirical Tools for Policy Analysis in the Daily Newspaper Industry"

Consulting:

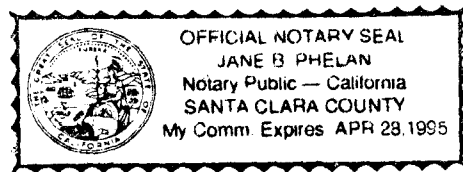
US Treasury Department, Internal Revenue Service; US Department of Justice, Anti-Trust Division; Federal Communications Commission; Federal Trade Commission; California Energy Commission; The RAND Corporation; SRI International; US and international clients in anti-trust and regulatory matters; principal in the consulting firm of Rosse & Olszewski; more than twenty-five appearances of record in legal proceedings.

~~CONFIDENTIAL~~

This is Exhibit B to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

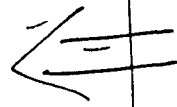
A Notary in the State of California



James N. Rosse

August 16, 1991

Newest newspaper nemesis



Marriage mail has replaced tv as the biggest long-term threat to newspaper profits

By John Consoli

Newspaper Advertising Bureau executives this week issued a stern warning to newspaper publishers that the competitive threat of shared mail is a problem every newspaper must deal with or else face a severe drain on profits.

"The competitive threat of shared mail concerns virtually every newspaper in the United States and if it isn't a problem for you now, it soon will be," Ad Bureau president Craig Standen told an American Newspaper Publishers Association convention audience in Montreal May 1.

"Make no mistake about it: the mail is going to eat our lunch." Standen's departure from the tone of Ad Bureau presentations at prior ANPA conventions, at which the Bureau usually touted its services and sang



Craig Standen

praises of newspapers, this year's presentation seemed to be aimed at waking up publishers who thus far have ignored shared mail as a competitor of newspapers. marriage mailers who "can offer them layout, printing and inserting services, plus distribution to very small, precisely targeted market areas for a reasonable fee." Many of these smaller advertisers, Hollis said, were previously passed over by newspapers because they couldn't afford the costs or total circulation.

"Marriage mail is not going to go away," Hollis stressed to publishers. "It is going to be a fact of life — and a serious threat to newspapers for the long term. I don't think the case can be overstated."

The Ad Bureau vice president went on to paint a scary picture for publishers in attendance.

"Just look at what's happening with K mart," he said. "Last summer, K mart decided to use marriage mail to cover the entire states of Michigan, Ohio, Kentucky and Indiana."

See related stories on pages 34 and 42

"This expansion increased the marriage mail in those states by more than 10 million pieces weekly... and created a challenge that no one newspaper could successfully handle alone."

"Daily newspapers (in those states) still carry K mart ROP and some Sunday preprints, but many have lost 40% to 50% of their total K mart ad

volume," Hollis said. "They also lost all the inserts that were married and delivered with the K mart piece."

Hollis said newspapers' only alternative is to "get into the ball game and compete."

How can newspapers compete? According to Hollis, newspapers must offer the household coverage that the large, weekly advertiser demands.

"If your paid circulation covers less than 70% of your market's household penetration, I urge you to institute a non-subscriber program using either mail or carrier delivery," Hollis told publishers. He said over 600 U.S. newspapers have already taken this step.

Hollis also urged newspapers to review their ad rates and compare them with marriage mail rates.

"I can't stand here and tell you

"The competitive threat of shared mail concerns virtually every newspaper in the United States..."

what you should charge," he said. "but it is my strong belief that to compete successfully with our mail competitors we must price our products — both ROP and inserts — with the objective of gaining volume."

Hollis advised newspapers to not ignore the smaller advertisers in their markets.

"We must vigorously go after the small advertisers because they are the ones whose single-sheet flyers and four-page tabs will give marriage mailers their high profits," Hollis said.

"If we can lock up the many small advertisers, we can seriously cut into marriage mail's potential. Small advertisers can also be a great profit center for newspapers."

(Continued on page 10)

"If we can lock up the many small advertisers, we can seriously cut into marriage mail's potential."

the praises of newspapers, this year's presentation seemed to be aimed at waking up publishers who thus far have ignored shared mail as a competitor of newspapers.

"Today, marriage mail brokers are delivering to more than 40 million homes weekly," Ad Bureau vice president James Hollis told publishers. "Even worse, they are gaining in market share of our most important customers — retail advertisers."

"Retail advertisers are the backbone of our business," Hollis added. "Advertising is the merchandise that makes your newspaper compete."

Hollis said even smaller retail advertisers are shifting over to mar-

Hollis said once newspapers identify these smaller non-newspaper advertisers, they should set up a program to convert them into customers.

"If your current sales force can't handle the increased account load, consider a part-time sales force — perhaps school teachers or homemakers — trained by your managers before they hit the streets."

Television is still a major competitor of newspapers in the battle for the ad buck, but according to an Ad Bureau study, most ad agency executives predict that tv ad clutter will eventually cause some advertisers to look elsewhere for a vehicle to spread their message.

Ad Bureau president Standen pointed out that between 1967 and 1982, the number of tv commercials increased by 140%. But the number of

people exposed to those commercials increased by only 78%.

Ad agency executives believe that, because more advertisers want to use tv and because there is only so much air time to sell, the 15-second commercial will become the standard tv ad unit within the next eight years. This, they feel, will create even more clutter.

In the meantime, newspapers must battle with marriage mail not only to maintain their share of the ad market, but also to be a force that advertisers turn to if they get turned off by tv clutter.

Marriage mail can create a clutter situation for advertisers also, but the cost is reasonable enough not to bother many advertisers.

And the U.S. Postal Service is not helping newspapers either.

Otto Silha, chairman of the board of

Cowles Communications, and chairman of the ANPA/National Newspaper Association/Ad Bureau postal task force, said "unreasonably low third-class (marriage) mail rates have produced higher first-class (newspaper) rates, and the escalating volume of unsolicited third-class marriage mail is now showing up in mailboxes across the land."

And Hollis added, "In my judgment, marriage mail will probably not be curtailed by the rate increases currently being recommended by the Postal Service."

Closing with a word of hope, Hollis said, "Once we all understand that marriage mail is not going to go away, once we join forces and find creative, competitive solutions for the long term, we'll find that as an industry we have all the right stuff to meet this challenge."

John Blair purchase of ADVO drains newspaper profits

Last year one of newspapers' most important Sunday coupon inserters, the John Blair Company, purchased ADVO, the country's largest mailer, to use national food coupons as the wrapper for other inserts.

This led to the birth of "network mail," which is seen as a potential major drain on newspaper advertising revenue.

"Our good customer, John Blair, really likes the network mail system," said Jim Hollis, a vice president at the Newspaper Advertising Bureau.

Speaking at a May 1 session during the American Newspaper Publishers Association's annual convention in Montreal, Hollis said, ADVO gets "their coupons into a marriage mail package often for less money than it costs to insert them into newspapers, and they gain the advantage of being

the exclusive couponer in that package."

ADVO also likes Network Mail, Hollis said, "because national coupons attract a readership which spills over to the retail inserts."

"This," he said, "enhances ADVO's ability to sell to additional advertisers."

Network Mail is now delivering to almost 40 million homes each month, Hollis said, "and it's extremely profitable." He pointed out that once the mail broker has sold enough business to cover the \$74 per thousand rate, anything sold over that — up to a maximum weight of 3.91 ounces — "is gravy."

According to Hollis, marriage mail had its best year of growth in 1983. ADVO in 1983 had revenues of \$180 million and has doubled its revenue in each of the last four years.

ADVO, he said, now has 15% of all circular business and it projects that this figure will reach 30% in two years.

"Newspapers are effectively competing with marriage mail in many markets — fighting fire with fire, distributing inserts to nonsubscribers by mail and their carrier force," Hollis said. "But this has not broken the grip marriage mail has on many markets."

Newspapers' ad revenues from inserts showed an increase in 1983, but Hollis warned newspaper publishers that this increase did not come at the expense of marriage mail.

"We did have a big boost in 1983, but that's the result of an upturn in the economy that gave newspapers an increase from advertisers of all types."

NAB revenues estimated at \$11.6 million for current fiscal year

The Newspaper Advertising Bureau's revenue from dues, investments and project expense recoveries is currently estimated at \$11.6 million for the fiscal year that will end May 31, 1984.

All excess operating funds are currently invested in short-term securities presently yielding about 10%, according to William O. Taylor, outgoing treasurer of the Ad Bureau and president and publisher of the *Boston Globe*.

In his report to the Ad Bureau membership, presented during the American Newspaper Publishers Association convention in Montreal, Taylor said the Bureau's permanent

reserve's book value is \$2.2 million and the market value on March 31 was \$2.3 million.

This is invested 50.2% in equities, 8.2% in fixed income-producing securities and 41.6% in money market instruments through Irving Trust

Company of New York, Taylor said.

A report on Ad Bureau membership revealed that 49 new members have joined since June 1, 1983, and 30 members have resigned, for a net membership gain during the current fiscal year of 19.

Newspaper ad revenues may go up 12%

Newspapers will take in \$23 billion in advertising revenues during 1984, a 12% increase over 1983, Newspaper Advertising Bureau president Craig Standen said this week.

In his May 1 address at the American Newspaper Publishers Association

annual convention, Standen predicted that national advertising revenue in newspapers will increase by 11%, retail by 12% and classified by 13%. These ad revenue hikes will come on top of a 16.3% overall increase during 1983.

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There is growing concern in the Ad Bureau of Circulation "to market their products and overcome restrictions and Butcher, circulation *Tampa Tribune* in Montreal.

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EDITOR & PUBLISHER

Postal Affairs

Newspapers must endeavor to understand the changing marketplace, to explore creative uses of the postal system, and to change practices that have been tried and failed.

Newspapers have confronted many complex issues since Benjamin Franklin decided to wear the hats of both publisher and postmaster. None of these issues, however, has been as continuously challenging as the relationship between newspapers and the post office.

We are witnessing unprecedented change in the printed materials that flow through the U.S. Postal Service and in the marketplaces it serves. Much of this postal revolution has occurred during the last five years, and that revolution likely will continue the remainder of this decade.

In 1980, we were just beginning to see the effects of a new postal strategy that called for extraordinarily low third-class rates in an effort to build postal volume.

In particular, rates that took effect that year for third-class mail presorted to the carrier route provided an unprecedented inducement to firms to consider mail as a new communications medium.

This put newspapers in a new competitive environment. They responded with characteristic diversity and independence.

Some newspapers clung to their historic dependence on second-class mail and developed new ways to use the Postal Service for the benefit of their readers and advertisers. Those experiments and innovations continue today.

Many newspapers broke from exclusive use of traditional second-class mail and moved headlong into third-class mail. The goal was to serve advertisers' interests in reaching all homes within specified geographical zones. The newspaper business is now a major third-class mail customer.

Virtually all newspapers recognized another growing need—that of providing retailers and other advertisers with the ability not only to saturate entire neighborhoods, cities or regions, but also to reach specific homes of specific people with specific characteristics. That effort continues in circulation departments around the country, and no doubt the Postal Service will play a major role in the evolution of that marketing strategy.

Whether as user or competitor of USPS, or as competitor of other postal customers, the newspaper business for five years has been urging that the ground rules involving postal matters be set fairly and equitably. The argument is that postal rates should cover postal costs, and that the structure of rates should not allow discrimination for or against specific kinds of mailers.

With the second half of the decade before us,

there is a new postmaster general, a new set of postal rates, a new postal labor agreement and a group of USPS governors who are taking an increasingly hard look at many issues affecting postal users.

Newspapers, too, must endeavor to understand this changing marketplace, to explore creative uses of the postal system, and to change practices that have been tried and failed.

Some of the key questions that will demand answers in the next five years are:

- Will second- and third-class mail be merged as a result of pending court cases?

- If second- and third-class are not merged, will newspapers continue to receive high-quality service without paying extra fees such as a "red tag" surcharge?

- Will Congress provide funding necessary to allow in-county second-class rates to continue their gradual, phased increases?

- How will the content of newspapers mailed to non-subscribers change over time? Will there be more or less editorial content in them?

- Will Congress consider legislation to deal with inequities in the current rates and the rate structure? How will courts deal with these issues?

- Will private firms be able to "broker" services of the Postal Service in first- and third-class mail?

- Will newspapers find that their experiences with second- and third-class mail in reaching non-subscribers lead them to make greater use of the Postal Service to reach subscribers or to conduct other mail distribution programs for advertisers?

- Will more newspapers find that by placing addresses on carrier-delivered subscriber copies they can offer better target-marketing services to advertisers who now may rely on the Postal Service for such selective distribution?

Newspapers will have renewed opportunity to work together to bring about the kind of postal rates and rate structure that will serve the best interests of newspapers, competitors, advertisers and the public—which now bears the lion's share of the cost of operating the Postal Service.

Five years of experience in these arenas have taught us much.

The real challenge for the rest of the decade is to coordinate our public policy, advertising, circulation and overall management efforts to make the very best of an ever-evolving, competitive marketplace. □



BY W. TERRY MAGUIRE

Maguire is ANPA vice president/general counsel.

NEWSPAPERS AND THE POSTAL SERVICE

THE MAILS ARE PRESENTING
NEWSPAPERS WITH A VARIETY OF NEW CHALLENGES
AFFECTING ALL DEPARTMENTS

BY C. DAVID RAMBO
presstime staff writer

Newspapers and the U.S. Postal Service have one big thing in common: They are the only service providers that still make daily house calls.

But beyond that one happy similarity, the ties that bind the two are frequently frayed.

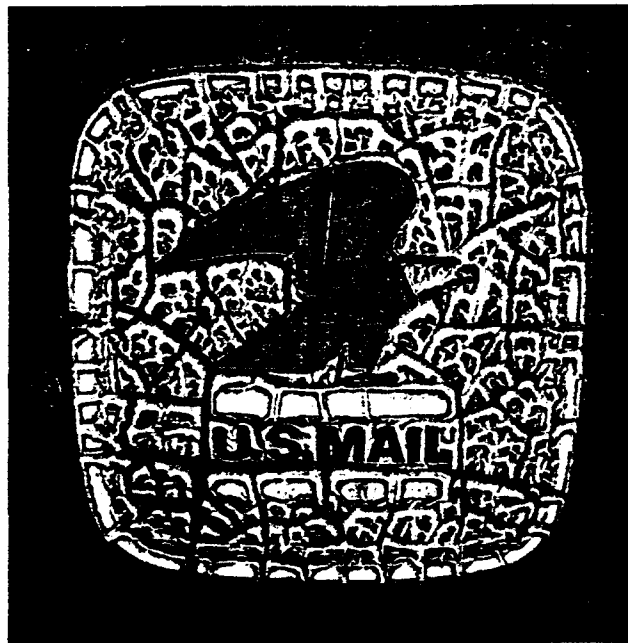
Increasingly, newspapers and the Postal Service are finding themselves at odds over a number of issues, many of which did not even exist 10 years ago.

Gone are the days when newspapers worried only about their second-class rates, which have been increasing, and the mail service, which has been generally good at the local level [presstime, Dec. 1980, p. 18].

"Today, because of the profound impact of nearly all postal rates on our business, we are concerned not only with second-class but also with first-and third-class," says Sandra Hardy, vice president of Calkins Newspapers, Levittown, Pa., and chairman of the ANPA Postal Committee. "The high first-class rates significantly increase our expenses, while the low third-class rates drain our revenue base" through direct-mail firms like Advo-System Inc.

Those rate realities are among the major issues that have led newspapers to the crossroads in their relationship with the mails.

The postman once was mainly a partner of the newspaper publisher in efforts to deliver news and information. The



Alan Topper

relationship is deep-rooted in history, as the first postmaster general, Benjamin Franklin, was also a publisher who relied heavily on the mails to deliver his newspaper.

But the nature of postal operations in the United States changed drastically in 1970 when Congress passed the Postal Reorganization Act, which effectively depoliticized the post office and set the Postal Service on a road toward self-sufficiency.

As one result of this movement toward more businesslike, less-subsidized operations, USPS has emerged as a competitor for newspapers in the delivery of free-standing advertising materials.

The competitive change in the newspaper-USPS relationship only recently was acknowledged by top postal authorities. In

March 1984, then-Postmaster General William F. Bolger insisted in a speech to the National Newspaper Association that USPS had not "entered into a partnership with bulk business mailers" and was not "competing with second-class mailers. The Postal Service is your partner, not your competitor."

A personnel shift at the top of the USPS bureaucracy brought a new assessment of the situation.

"The Postal Service can be considered as a competitor of the newspaper industry," Postmaster General Paul N. Carlin said in remarks last September before the ANPA Government Affairs



Committee. "Some retailers who traditionally advertised almost exclusively in newspapers now view mail as an attractive alternative."

Some experts say newspapers, whose total annual revenues about equal the USPS 1984 revenue of \$26.5 billion, themselves one day may go on the offensive. If Private Express Statutes are amended, they may expand use of their own carrier forces for delivery of mailable matter—maybe even letters. A more likely example is product samples, says Daniel L. Sikorski, circulation manager of the North Platte (Neb.) Telegraph.

Over the next three to five years, Sikorski predicts, "We are going to have another form of postal delivery in the United States," and newspapers will be part of it. The United Parcel Service, he adds, "sets a good precedent."

The postal maelstrom swirling around the newspaper industry has been further stirred up by lawsuits brought by free-circulation newspapers that want to use second-class rates rather than the generally more expensive third-class for delivery. That issue, some experts have begun to speculate, could lead to an eventual merger of the second- and third-class mail categories.

On a broader scale, newspapers and all other mailers must keep an eye on developments that could seriously weaken the Postal Service's ability to remain viable. Some observers worry, for example, that the combination of ever-increasing postal rates and the potential of electronic, information-transfer technology could lead to the dismantling of Ben Franklin's 210-year-old system.

All piles up in a large mailbag of issues. They weigh heavily on newspapers' marketing efforts and ultimately on their ability to gather and deliver the news. Thus every department of the newspaper now is concerned with USPS, including advertising, marketing, circulation and even the newsroom.

On the third-class issue alone, "The threat is that with continued loss of advertising revenue, we will not be able to publish quality news products," explains Hardy of the ANPA Postal Committee. "A strong revenue base is essential for a free and independent press."

"The key is fairness," says Jerry W. Friedheim, ANPA executive vice president and general manager. "Newspapers use all classes of mail, and they are entitled to fair rates and service for each class. If unfairly structured rates and unpredictable service damage the ability of newspapers and the Postal Service to serve the public with abundant information flow, then first the public and finally a free society suffer."

Of late, postal affairs have constituted the largest ANPA lobbying effort since the Association in the early 1980s addressed the threat to newspapers posed by telecommunications carriers, especially AT&T, that were bringing electronic publishing. In the past three years, ANPA spent an average of \$400,000 a year on the postal front. This year it expects to spend about \$475,000.

The bulk of the effort will center on issues that have erupted over the past five years:

- Whether the rate for bulk third-class pieces that are presorted to the carrier-route level is unfairly low, and whether "detached labels" used in conjunction with third-class pieces get an unfair "free ride" because they do not pay full postage independently
- The extent to which Congress will continue to fund subsidies for "preferred" categories, such as the mailing of newspapers within the county of publication
- Some daily newspapers' controversial use of second-class mail as part of their total-market-coverage programs

"The threat (from third-class) is that with continued loss of advertising revenue, we will not be able to publish quality news products."

- Whether delivery service, especially service outside a newspaper's market area, has deteriorated and can be improved
- Whether free newspapers, which now must use third-class mail, should have the right to use the cheaper in-county rates.

The debate has been growing sharper and has resulted in division within newspaper ranks. For example, while the newspaper business through ANPA has espoused a single position on third-class rates—that they should be raised because they are unfairly low—some publishers using third-class have opposed that position.

There even has been a break in harmony between ANPA and its longtime ally, the National Newspaper Association. NNA objects to the use by many daily newspapers of in-county, second-class rates for delivery of total-market-coverage products. ANPA believes that newspapers should be allowed to use the mails however existing regulations allow.



Alan Trapp

Mail copies of Loudoun Times-Mirror, Leesburg, Va., receive address labels.

Who's on third? At the heart of the postal brouhaha for the last couple of years has been the rate for third-class bulk mail that ANPA claims is unfairly low and results in higher-than-necessary first-class rates. Thus, the argument goes, first-class directly subsidizes unsolicited, third-class advertising mail.

Calkins Newspapers' Hardy observes that third-class mail represents 39 percent of total mail volume but only 20 percent of mail revenue. First-class mail accounts for 50 percent of volume

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Special Report

and 58 percent of revenue.

Moreover, she maintains, third-class mail does not contribute enough to the Postal Service's "institutional," or overhead, costs. USPS internal accounting procedures assign 61 percent of all institutional costs to first-class but only 15 percent to third-class, she says. "The net result is that for institutional costs, each third-class, regular-rate piece pays 3.3 cents while each first-class piece pays 8.8 cents. Yet an average third-class piece weighs about four times that of the average letter."

USPS maintains that first- and third-class mail "each covers its own costs and makes a suitable contribution to fixed costs. Each class is better for the existence of the other. The main reason that third-class's rates are lower is that its costs are lower."

In addition, the Postal Service says weight "is not a major factor in costs, especially for third class." One reason is that third-

class, unlike first-class, is not transported by air, it says.

USPS adds that these and other issues have been argued in regulatory proceedings and before the 2nd Circuit, which "vindicated completely the rates in question. The Postal Service believes the time has come to stop reiterating rate positions that have been tried and found wanting."

Low third-class rates were a big reason for the rise of direct mailers' shared-mail programs that cost newspapers millions of dollars in preprint revenue over the past several years.

In shared mail, two or more preprints are united into a single package and mailed as one piece at relatively low rates.

Reduced rates for third-class mail presorted to the carrier route were instituted in 1979 as part of a major rate case, as USPS recognized an opportunity to increase volume and revenue. True to expectations, volume soared.

Newspapers' Major Postal Concerns

Issue	Major parties involved	Status of legal or regulatory activity
Third-class rates	<p>ANPA, which argues that current rates for bulk, carrier-route mail are too low—at the direct expense of first-class mail. In part, because of low rates, direct-mail firms have been able to lure preprinted advertising from newspapers</p> <p>Advo-System Inc., which contends it is entitled to even lower rates because it does much of the sorting and handling typically done by the Postal Service</p> <p>USPS, which maintains that growth in third-class is bolstering total revenues to the benefit of all mailers</p> <p>Direct-Marketing Association, which generally is satisfied with existing rates but challenges some of the rate-making methods</p>	<p>Appeals filed by ANPA and others over last rate case that took effect Feb. 17, 1985, were rejected in early December by the 2nd U.S. Circuit Court of Appeals.</p> <p>Issues included propriety of bulk carrier-route rates: 8.3 cents for pieces weighing less than 3.5 ounces, or 38 cents per pound for pieces weighing 3.5 ounces or more.</p> <p>Separately, USPS governors are examining the issue, saying "entire area" of third-class "warrants continued attention and study."</p> <p>Postmaster General Carlin in late September said filing of next rate case is not "imminent."</p>
Third-class detached labels	<p>ANPA, which argues that USPS should collect separate postage for these postcard-like pieces</p> <p>USPS, which insists detached labels save money and time</p> <p>Advo, which is the biggest user of detached labels and also extols virtues of greater efficiency and savings</p>	<p>Complaint filed by ANPA against detached labels is pending before the Postal Rate Commission.</p>
Second-class rates	<p>Congress</p> <p>President</p> <p>USPS governors</p>	<p>Governors imposed higher rates effective Jan. 1 based on funding cuts contained in congressional stopgap funding resolution.</p>
"Second-class TMC"	<p>ANPA, which upholds the right of newspapers to use second-class mail within confines of existing rules</p> <p>National Newspaper Association, which opposes use of second-class for TMC partly because of negative long-term effect it could have on the federal in-county mail subsidy</p> <p>Advo, which argues that daily newspapers are trying to mail a separate publication under existing permits</p> <p>USPS, which originally sided with ANPA on the issue but now agrees with the Advo position</p>	<p>Complaint filed by Advo against second-class TMC, or "Plus" issues, is pending before the Postal Rate Commission.</p> <p>Limitations on use of in-county mail contained in congressional stopgap funding resolution.</p>
Use of second-class in-county rates by free-circulation newspapers	<p>The Enterprise of Winchester, Tenn., Tri-Parish Journal Inc. of LaPlace, La., Times Publications Inc. of St. Louis and Gulf Times Inc. of Beckley, W.Va.—free newspapers mailed third-class, that want to use in-county rates. They claim that the only difference between them and other newspapers is circulation price, and that rules prohibiting them from in-county rates are unconstitutional</p> <p>ANPA, which supports the paid-subscriber rules, saying they prevent distinctions being made between the classes based on content</p> <p>USPS, which is resisting free newspapers' bid</p> <p>Advo, which also supports paid-subscriber rules but bases position on arguments made in the "second-class TMC" case</p>	<p>Enterprise federal lawsuit was dismissed and sent back for review by the Postal Rate Commission. Newspaper plans appeal to the U.S. Supreme Court.</p> <p>Postal Rate Commission upheld paid-subscriber rules in Tri-Parish Journal case. Newspaper plans to take case to USPS governors and, if necessary, to appeal in federal court.</p> <p>Lawsuits filed by Times Publications and Gulf Times Inc. are pending.</p>

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Shared mail actively began in 1981, fueling the trend toward higher volume. Hardy describes the evolution of shared mail as a "bonus" for third-class mailers because the mailing technique effectively cut already low per-piece rates.

Those rates now are 8.3 cents for pieces weighing less than 3.5 ounces, and 38 cents per pound for pieces weighing 3.5 ounces or more. For participants in shared mail, the cost could be a fraction of the per-piece cost.

ANPA went to court to protest the case establishing the latest rates, but in December the 2nd U.S. Circuit Court of Appeals rejected the lawsuit. The Association claimed that the Postal Service had insufficient evidence in hand when it settled on those rates, and that the Postal Rate Commission failed to provide an adequate explanation of the rationale for its allocation of overhead costs.

While there is a great difference between first- and third-class rates, there may be less difference in service, and that also irritates newspapers. Last year an ANPA survey in seven cities disclosed that third-class pieces were being delivered nearly as fast as first-class letters [presstime, Aug. 1985, p. 38]. Yet the first-class pieces cost eight times more.

ANPA Chairman and President Richard J.V. Johnson said the study proved that "advertising mailers are getting gourmet service for fast-food prices, and the public is picking up the tab for the difference."

The Postal Service has not commented officially on the survey.

An adjunct to the third-class rates issue is the controversy over detached labels—the postcard-like address cards that accompany shared-mail packages. The Postal Service in March 1980 approved use of the separate labels to "increase efficiency."

Users of detached labels, most frequently direct-mailer Advo, do not pay separate postage even though the labels are handled by mail carriers as separate pieces of mail. Instead, the miniscule weight of the card is added to the weight of the shared-mail piece, and only a charge for the total package is paid.

In October 1983, ANPA filed a complaint with the Postal Rate Commission over the labels, arguing that the Postal Service is losing vital revenue by not charging separately for the labels.

"By charging one price for a detached label and its unaddressed flat, two pieces are traveling for the price of one," Hardy says. "One piece of mail is traveling for free."

In fact, the Association has determined that USPS could have collected about \$1 billion for detached-label mail since 1980. Ironically, that is the amount the Postal Service borrowed from the federal government last year for capital expenditures.

The loan was made against a backdrop of USPS losses in 1985 of \$251.5 million—an amount Postmaster General Carlin says was less than once projected. The Postal Service anticipates a budget surplus this

Advo's eye-popping expansion seems to have been leveling off, and partly for that reason, third-class volume overall has been growing more slowly.

period a year earlier experienced greater than 20-percent growth.

Third-class rates present not only challenges but also opportunities for newspapers. For example, many papers use the rate for distribution of total-market-coverage publications. Use of third-class, demanded by some retailers who prefer delivery of their ad message by a mailman instead of a youth carrier, offers the ability to target an audience or saturate the market.

Such usage may grow. W. Terry Maguire, ANPA vice president and general counsel, looks for "increasing use of third-class by newspapers to reach a variety of people—non-subscribers, target groups" and others. He says this could come in conjunction with newspapers' making more complete use of the marketing possibilities of their subscriber/non-subscriber databases.

Second-class status. Of more immediate concern to many newspapers than third-class rates and the detached-label issue are



Chairman Hardy (left) and ANPA Counsel Tonda F. Rush review Association positions.

Although the concern about these issues remains high, the activity surrounding them appears to be easing. Advo's eye-popping expansion of the last few years seems to have been leveling off [presstime, Oct. 1985, p. 6], and partly for that reason, third-class volume overall has been growing more slowly.

Economist Sharon Chown, a consultant to ANPA on postal matters, observes that growth in third-class for the first three quarters of fiscal 1985 was less than 9 percent while the same

second-class rates, historically kept low to facilitate timely delivery of news. Some papers now are finding that because of recent increases, the rates are no longer so attractive. As a consequence, many are using less mail delivery for their regular editions and more carrier delivery.

The Wall Street Journal, for example—which once mailed nearly all its subscribers' copies—in recent years has stepped up use of alternative delivery forces because of rising mail costs. It

(11)

now mails only about 60 percent of its 1.9-million circulation, says Paula A. Jameson, house counsel and director of the legal department of Dow Jones & Co. "Our plans are to increase our use of private delivery" in proportion to the extent of increase in second-class mail rates, she says.

Despite such moves on the part of newspapers, second-class volume in the first three quarters of fiscal 1985—which ended Sept. 27, 1985—increased almost 10 percent after years of little or no growth. The Postal Service is not yet sure of reasons for the increase.

Included in the second-class rate structure are: *regular* rates, used for mailings of 5,000 or more copies outside the county of publication; *limited circulation* rates, for fewer than 5,000 copies outside the county; and *in-county* rates. The latter two are subsidized by the federal government in an allocation called "revenue forgone."

In-county and limited-circulation rates are used mainly by small- and medium-size newspapers that mail a hefty portion of their total circulation in the immediate market area, usually in the county of publication. Regular rates apply chiefly to larger dailies that mail relatively few copies. Large newspapers often mail less than 5 percent of total circulation, and those mainly are to pockets of very light penetration in the market area or to far-flung subscribers.

One part of the revenue-forgone subsidy provides money so that mailings in these categories do not pay full institutional, or overhead, costs. The concept dates to Ben Franklin's time when it was established that delivery of news is of utmost importance in a democratic society and should be publicly supported.

The other portion of the revenue-forgone subsidy provides money for USPS direct operating costs attributable to second-class mail. But Congress, recognizing today's greater diversity of information sources, in 1970 set the stage for a phase-out of this portion of the subsidy as part of the Postal Reorganization Act.

Congress established a 16-step phasing schedule to end in 1987 with "full-phased rates." However, the portion of the subsidy for operating costs came to a halt prematurely as 1986 began. (See story, p. 39.) Higher rates were the result.

A big question now is what to expect in terms of continuation of the subsidy to cover institutional costs.

"A lot of people think the days of the subsidy are over, but I disagree," says Robert Brinkmann, general counsel of the National Newspaper Association. He believes that Congress recognizes the importance of small newspapers and that the funding will continue. Brinkmann thinks newspapers will

continue their long-term commitment to using the Postal Service, and that USPS in turn will stay committed to serving the newspaper business. The Postal Service wants to keep newspapers, Brinkmann says, partly because "it does not want to become just the deliverer of junk mail."

ANPA's Maguire also thinks the institutional-cost subsidy likely will be extended in the foreseeable future, but, he adds, "I think that it will continue to be a major challenge. There's no permanency here at all."

Hardy says the subsidy "appears likely to decline as Congress focuses on budget-cutting." She warns that "newspapers would be wise to anticipate the possibility that Congress may one day cease to fund the (reduced) in-county rates."

Some newspapers already are prepared for that day. The News-Herald of Panama City, Fla., dislikes the "cost and complications" of mail and tries to "hold down" the number of mail subscriptions, says Publisher Scott A. Fischer.

In fact, Fischer describes himself as "one of the few (newspaper publishers) who don't agree with subsidies for our business." He says he does not believe that newspapers should receive special taxpayer assistance to deliver copies.

There is mounting pressure to curb what some believe are "abuses" of the subsidized in-county rate. One often cited practice is the large, in-county mailings of People and Playboy magazines. Subsidizing those publications violates the historical intent of the revenue forgone subsidy, critics claim.

TMC controversy. Gossip and "skin" magazines are not the only kinds of publications under legislative scrutiny. Daily newspapers' TMC products are also under review. This has set up a squabble mainly between big and small newspapers.

In the late summer of 1983, a number of newspapers found that with some imagination they could extend their benefits under the paid-subscriber rule. The rule requires that to qualify for second-class, at least 50 percent plus one of all copies must be paid. Some newspapers took that to mean that, for example, a newspaper with 10,000 paid circulation could mail up to 9,999 copies to non-



Norfolk (Va.) papers use second-class for TMC paper Extra.

subscribers.

Some newspapers consequently mailed entire copies of the regular paper to a large number of non-subscribers.

But many others created what they called another issue of the paper—a "plus" issue—that was distributed to subscribers and non-subscribers alike. Many plus issues contain local news and other information.

Publishers of small newspapers and competitors of big

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dailies—including direct-mail firms—charge that such publications were created mainly for the purpose of delivering advertising to non-subscribers. Use of the subsidy for this purpose violates the intent of in-county, second-class mail, opponents say.

Some publishers say they had little choice but to use second-class. Sikorski of the North Platte Telegraph points out a problem many have had: His newspaper, when folded in half, is a half-inch too long to qualify for the lowest third-class rates. Current regulations allow a maximum size of 11½-by-13½-by-¾ inches. ANPA has said this requirement prevents "the vast majority of newspapers from qualifying for the third-class presort discount." Postal officials say they do not plan to change the restrictions.

"We never would have (used second-class for TMC) if we'd been allowed to go third-class," Sikorski says. "They forced us, really, to take advantage of a postal loophole."

Many newspaper executives concede that what they are doing is subject to debate. For example, Mark A. Brown, circulation manager of the Scottsbluff (Neb.) Star-Herald, says while his newspaper's second-class TMC project is "complying with the letter of the law . . . we kind of stand on the line and lean over a little bit."

Others say the concept goes way beyond that. They charge that second-class TMC amounts to a "prostituting" of in-county rates.

"We're seeing a real threat to the continuation of second-class, in-county rates" because of the TMC practice, says Geoffrey Edwards, publisher of The Journal Newspapers, a group of five suburban dailies in the Washington, D.C., area that mails nearly 70 percent of its 150,000 circulation via in-county mail. Loss of subsidy "will drive many (newspapers) out of business," he adds. The Journal Newspapers do not have a regular TMC program, but on occasion the group mails special supplements on a total-market-coverage basis via third-class.

John M. Andrist, publisher of The Journal, a 3,600-circulation weekly in Crosby, N.D., says he mails about 2,000 copies in-county. Recent postal rate increases have been passed on to subscribers who now will bear the brunt of any additional increases, he says. "That's what makes me so defensive when I see my big-city brethren using this in-county (rate) for their advertising-related purposes."

Andrist is a member of the NNA Board of Directors, which opposes the second-class TMC practice. NNA represents primarily weeklies and small dailies, and its board is concerned about long-term effects on most members' delivery operations. In fact, its concern led it to side with Advo in the complaint against second-class TMC the direct-mail company filed with the Postal Rate Commission.

ANPA, on the other hand, believes that newspapers should be free to use existing rules to their best advantage. Representing newspapers of all sizes, the Association "supports the integrity of second-class mail and believes its flexibility is essential to the existence and growth of the newspaper business," says Hardy. "Using second-class mail for TMC programs is an example of this flexibility, and it must be undertaken carefully to preserve the integrity that we all find so important." ANPA also believes that any change can be corrected if the USPS will enforce existing regulations, and that new rules and legislation are unnecessary.

Ed W. Mangum Jr., president of The Virginian-Pilot and The Ledger-Star of Norfolk, Va., which have a second-class TMC program, says he understands concerns of newspapers that rely on

Postmaster General Carlin last year
"told NNA, 'If you have
any problems, let us know.' We did,
and they responded."

Ledger-Star of Norfolk, Va., which have a second-class TMC program, says he understands concerns of newspapers that rely on in-county rates. But he also says postal regulations clearly "allow . . . what we're mailing." The Norfolk newspapers' TMC program does not use in-county mail, Mangum adds.

There have been several legislative proposals to curb the practice. Two of them became effective Jan. 1 under terms of a stopgap funding measure that Congress passed in late December.

The changes put new limits on the number of pieces that can be sent at in-county rates. Under the first change, use of the in-county mail category is limited to publications with less than 10,000 circulation, or to those that have more than half of their entire circulation in that county of publication.

Under the second change, new curbs have been imposed on in-county sampling rules that benefit some second-class TMC programs. The allowable weight of "sample" copies is now based on the weight of a newspaper's total in-county mail—not the



Bundles of Loudoun Times-Mirror are put in mailbags for delivery to Post Office.

weight of all mailed copies as formerly permitted. The change reduces the base on which some newspapers figure a big part of their second-class TMC activity.

The upshot of all this? "It may force me into more carrier delivery for TMC products," says Sikorski of North Platte.

Delivery service. Everyone who uses the mails—and that, of course, covers all of us—has at least one bungled-delivery story.

~~CONFIDENTIAL~~

Special Report

Washington Post labor reporter Peter Perl tells of getting a delayed, mangled letter in December that "looked like a dog had gotten to it." It was accompanied by a "form note" apology from the Postal Service. The letter? An invitation to the Christmas party of the National Association of Letter Carriers.

Such horror stories aside, most newspaper publishers report fairly reliable local mail service. They say they have developed bonds with local postmasters. Problems that arise are solved amicably.

Trouble spots have appeared mainly in long-distance delivery. In those cases, newspaper executives report, USPS personnel from the highest levels have responded quickly.

Robert E. Work, publisher of The Los Angeles Daily Journal, the nation's largest daily newspaper specializing in coverage of law and government, says Postmaster General Carlin last year "told NNA, 'If you have any problems, let us know.' We did, and they responded."

The Daily Journal's problems stemmed from delivery irregularities for its 30,000 copies mailed mainly to locations in California. "Service was getting worse and worse," Work says. "We had people writing letters canceling their subscriptions, saying, 'If you can't get your paper to us on time, we're going to give it up.'"

To get an idea just how bad service was, Work says his company last summer inserted postage-paid cards on which readers could comment on quality of delivery. About 2,000 responded.

The Postal Service selected 200 of those responses as a cross-section of the audience and interviewed them. Since then,



Daniel L. Sikorski

"Service has improved," Work says.

Frank A. Strupeck, executive director of the Red Tag News Publications Association, membership of which consists mainly of certain time-sensitive magazines such as Advertising Age and ComputerWorld, attributes long-distance service problems to three factors.

One is the merger last year of so-called "non-preferential" and "preferential" mail. It resulted in second-class mail such as monthly magazines ending up in the surface-mail network that carries more time-sensitive publications. USPS is known to be considering a reversal of that merger. "Somewhere along the line, priorities have to be set," says Strupeck, adding that postal officials say "they can deliver it all, but they can't."

Directly after the "pref/non-pref" merger, "we noticed a direct effect on how fast our newspapers were being delivered," says

Scottsbluff Circulation Manager Brown. "For a while, we really got second-class, second-class service."

Brown says copies mailed to what he calls "fringe-local" areas 75-100 miles from his Nebraska town took two or more days to be delivered. They "really should have gotten same-day delivery," he says.

The Star-Herald lost some mail subscribers at that time because of late delivery coupled with a recent subscription price increase, but the situation "seems to have gradually straightened itself out," Brown reports.

The second factor cited by Strupeck is the effect of airline deregulation on mail service. Some airline freight rates "have jumped dramatically," he says, and there has been a reduction of some routes. Overall, he adds, the airlines do not pay USPS

A Lot of People Get Involved in Setting Rates

Newspapers can raise rates whenever they want, within confines of the marketplace. Not so for the U.S. Postal Service.

As a quasi-governmental agency, it must follow a much more encumbered procedure: a rate case that can consume a year or more.

The process greatly resembles a lawsuit. It involves testimony, briefs, comments by any interested party and—like most other Washington, D.C., endeavors—some politics.

The "exercise of power" of the Postal Service is "directed" by the Board of Governors, made up of 11 people, nine of whom are appointed by the President and confirmed by the Senate. Each of the nine serves a nine-year term on the board, which is a part-time position. The other two members are the postmaster general and the deputy postmaster general, who are selected by their fellow board members. Current chairman is John R. McKean, president of a San

Francisco accounting firm.

Before the governors exercise their authority to establish "reasonable and equitable" classes of mail and rates, however, the USPS must request that the independent Postal Rate Commission submit "a recommended decision on changes" in rates or classes. Thus begins a rate or classification case.

The rate commission is made up of five people also appointed by the President and subject to Senate confirmation. They serve six-year terms. Current chairman is Janet D. Steiger of Washington, D.C., author, scholar and consultant, and widow of Rep. William A. Steiger (R-Wis.)

The commission must act on a request for a recommended decision within 10 months. When considering rates, it looks at numerous factors, including financial needs of the Postal Service; impact on the public; "the educational, cultural, scientific, and informational value to the recipient of

mail matter"; and anything else the commission deems appropriate.

Once the commission makes its recommendation, it goes to the governors who can take any action they choose. They can accept it, reject it, return it for reconsideration, implement the recommended rates "under protest" or make changes to the recommendation.

Any party dissatisfied with the governors' actions can file an appeal with one of the U.S. Circuit Courts of Appeals. ANPA and several other parties filed such an appeal over the last rate case in December 1984, but it was unsuccessful. (See story, p. 39.)

There have been nine rate cases filed in the 15 years since current procedures were established by Congress in the Postal Reorganization Act. Six have been general rate cases involving all classes of mail; three have involved rates for one type of mail, such as those for Express Mail.

special heed as they did before deregulation.

The third factor is that since the last postal rate case, the USPS staff's workload for long-distance deliveries has increased. The reason is that changes in the rates made it less advantageous for mailers to haul their publications to drop points closer to the destination. Fewer mailers are doing so, putting more burden on USPS.

Many newspapers sum up their mail delivery experiences in a fashion similar to the words of Joseph P. Armenia, publisher of the Tona-wanda (N.Y.) News. "It's always just been an ongoing thing," he says, with problems "sporadic" and "few in number."

The News mails about 2 percent of its circulation out of state. Most of those copies are destined for Florida, which also happens to be the paper's "biggest problem state" for delivery, Armenia says.

But sometimes people exaggerate, Armenia believes. "We find that problems aren't as bad as the subscriber makes it out to be," he says.

Postal mandate and the future. The main reason newspapers get good treatment at relatively low rates lies in the historic postal mandate to aid in dissemination of important information.

Newspapers and magazines traditionally have been distinguished from other non-first-class mail—such as unsolicited advertising materials and shoppers—by their purchase price.

But there are some strong constitutional challenges that could lead to the elimination of the "paid-subscriber rule." ANPA General Counsel Maguire says it is possible the challenges could lead to a union of second- and third-class. If that were to happen, newspapers might have to pay a surcharge to receive delivery before matter such as shared mail, he says. "For better or worse," he adds, "the trend is going to be toward increasing pressure to treat mail regardless of its content." An indicator of this is the Postal Service's Express Mail, which makes no distinction between "a brick and a book," Maguire points out.

Another indication of the trend is the constitutional challenge raised by four free weekly newspapers. They claim that, except for lack of a purchase price, they are like many other paid publications mailed at in-county rates. They say that they, too, should be allowed to use the low rates rather than third-class, which is more expensive and possibly less efficient.

The four weeklies—The Enterprise of Winchester, Tenn.; Tri-Parish Journal Inc. of LaPlace, La., which publishes the River Parishes Sun; Times Publications Inc. of St. Louis; and Gulf Times Inc. of Beckley, W. Va.—originally filed separate lawsuits.

The Enterprise won a round in U.S. District Court, but the 6th Circuit Court of Appeals reversed the decision, saying the Postal Rate Commission should initially hear matters pertaining to rates and classification. The Enterprise plans an appeal to the U.S. Supreme Court while proceeding to the commission as the 6th Circuit directed.

The Tri-Parish Journal case was filed in U.S. District Court, which sent it to the rate commission. The commission in November upheld the paid-subscriber rules, saying they allow the USPS, not USPS, to determine which periodicals "warrant first-class status." Tri-Parish Journal plans to take its case to the Postal Board of Governors and then, if unsuccessful, to a federal appeals court. The other two cases are pending in separate U.S. District Courts.



John M. Andrist

The next decade holds many of the same kinds of challenges for newspapers in their relationship with USPS. But there may be many opportunities as well.

Maguire paints a variegated picture.

For first-class mail, he predicts that newspapers will focus more on how much they spend in this category. Some already are doing so. The New York Times deposits into the mailstream more than 600,000 first-class pieces every month. It receives more than 400,000. The Times has installed computerized equipment to make the handling of such mail more efficient and less expensive.

ANPA is planning a study on newspapers' first-class expenditures to get a better idea of how much newspapers contribute to overall first-class volume and revenue.

There may be special opportunities in the first-class realm. Maguire says if certain "Private Express Statutes" were lifted, "and they may be lifted in some form over the next 10 years," newspapers may consider using their own carrier forces to offer the public a delivery service for letters and other mail currently the exclusive province of USPS.

Regarding second-class, Maguire predicts that newspapers will build upon their experience in using the Postal Service and "explore other ways that newspapers can meet challenges posed in the circulation field today."

As an example, newspapers might want to explore with USPS new delivery services as Belgian newspapers did with the Belgian post office. In that country, Maguire notes, the post office since

The next decade holds many of the same kinds of challenges for newspapers. But there may be many opportunities as well.

Jan. 1, 1985, has made a second daily delivery run so that the majority of addresses in the country are able to receive a newspaper before 8 a.m.

Twice-a-day delivery was provided in most parts of the United States starting in the early 1900s. But it was phased out in 1950 except in those cities where there are high volumes of business mail.

To all those possibilities add an uncertainty: the future of electronic delivery of news, advertising and other information, and electronic transactions such as bill-paying. The market-research firm International Resource Development Inc. of Norwalk, Conn., predicts there will be 180 billion first-class letters mailed in 1994, but that figure would have been 20-percent higher were it not for the advent of electronic mail.

"I think this is going to be one of the central issues over the next decade," says NNA's Brinkmann.

Above all, ANPA Executive Vice President Friedheim says, newspapers will continue to face the challenge of meeting "unfair competitive threats" with the appropriate "public-policy response," and of meeting "a general competitive threat with a general competitive response." □

VERTISING

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WHAT'S FREE, FULL OF ADS, AND READ ALL OVER?

Direct mail from Advo—and the newspapers don't like it

It was, allegedly, the denouement of a successful conspiracy. "I am happy to announce a resolution to the Advo affair which I think will please you," Harold Israel, president of Scarborough Research Corp., wrote last Mar. 30 to Jack Vernon, the marketing vice-president for The New York Times Regional Newspaper Group, which owns 32 papers. "Based on discussions with various attorneys... I am now of the opinion that we do not have to offer the study to Advo. Thus, Scarborough is no longer offering the study to Advo."

Israel's letter is a key item of evidence in a little-noticed antitrust suit against the New York Times Co. group by Advo-System Inc., the nation's largest "junk" mailer. Advo, based in Windsor, Conn., charges that illegal pressure by Vernon and other newspaper executives caused Scarborough to refuse to sell Advo a market-research study of newspaper readers. Times Co. and the others deny the charges or decline comment.

The suit is the latest volley in a rancorous battle between Advo and the newspaper industry. Along with a growing band of other direct mailers that distribute preprinted advertising circulars, Advo is hurting newspaper advertising. In particular, it has badly damaged the industry's very profitable \$15 billion retail-advertising base.

The newspapers' problem is the boom in preprints, which many retail advertisers believe give better results than newspaper display ads. Though retail lineage is dropping, newspapers initially enjoyed a near monopoly over preprints, usually inserted in Sunday editions. Yet in recent years many advertisers, especially such national retailers as K mart Corp. and J. C. Penney Co., have found Advo's preprint mailings often cheaper and more effective than newspaper distribu-

tion. With sales of more than \$500 million this year, Advo will mail about 14 billion ad pieces for 22,000 clients to its list of 91 million addresses, the biggest in the country. It is the U. S. Postal Service's largest private customer.

COUNTERATTACK. Although Advo holds well under 10% of the \$6 billion-plus preprint business, it has had a large dampening effect on rates for preprints and

bied the Postal Rate Commission to increase third-class mail rates, which would raise Advo's costs. But Advo has long suspected less aboveboard tactics. "They regard us as a common enemy," says Advo General Counsel David M. Stigler. "We think they get together to do things to stop us."

Advo believes it now has evidence. It alleges in its complaint that when Vernon and other executives learned of Scarborough's offer to sell Advo its 1987 newspaper-readership study, they used "economic leverage" to "coerce" Scarborough to rescind its offer. In his letter to Vernon, copies of which were sent to other newspaper executives, Scarborough's Israel expressed regret that the offer had caused "such grief in these intensely competitive times" and avowed his "strong concern and feeling for the [newspaper] industry."

Advo charges that Vernon and others also pressured Simmons Market Research Bureau Inc., a subsidiary of JWT Group Inc., to raise the price to Advo of a similar study from \$17,500 to \$50,600. The actions of Vernon and his "co-conspirators," Advo alleges, amounted to an illegal restraint of trade. "People told us not to go after anyone who buys ink by the carload," says Stigler. "But we want to show we don't have to humble ourselves to the Times" and other newspapers.

MASTER STROKE. A Times Co. spokesman says the two research firms "made their own decisions as to whom to sell their studies and at what price." Spokesmen for Scarborough and Simmons declined to comment on whether the firms acted in response to outside pressure.

Originally a hand deliverer of retail flyers, Advo became a serious rival of the newspaper industry in 1976 when it was acquired by Jack A. Valentine and a partner, with backing from a Sears, Roebuck & Co. subsidiary. A free-wheeling direct-mail expert, Valentine aspired to put a weekly package in every home. In a master stroke, he exploited a Postal Service rule little used by direct mailers allowing mail to be priced by weight instead of number of pieces. This let Advo stuff several circulars into one packet of up to 3.9 oz. and pay only 7.4¢ third-class postage.

Advo caught the interest of large retailers. Newspapers, whose readership is



HOW PREPRINTS HURT NEWSPAPERS

Preprinted ad circulars are becoming more popular, and that depresses demand for traditional newspaper advertising. Although newspapers distribute preprints, they generate less income than display ads. Companies such as Advo that send circulars through the mail are gaining market share and putting price pressure on newspapers.

	Newspaper revenue growth	
	Preprints	Display ads
1982	10.0%	7.9%
1983	23.0	14.0
1984	19.3	7.9
1985	13.1	5.2
1986	16.5	6.5
1987 est.	15.0	8.0

DATA: NEWSPAPER ADVERTISING BUREAU

retail ads. Fearing Advo's market share could grow, publishers across the country have mounted a fierce counterattack. "They're pretty emotional about it because Advo is hitting them pretty hard right in the pocketbook," says Michael J. Rourke, a spokesman for Great Atlantic & Pacific Tea Co., a heavy Advo user.

Newspapers have launched their own direct-mail ad programs and have lob-

Marketing

declining, often reach fewer than half the homes in their markets. Advo offered near 100% market saturation at a fraction of the newspapers' price. "We had to get all the homes near our stores," says Arthur E. Stine, a K mart regional ad manager. "Holes mean lost sales." And unlike newspapers, Advo could target preprints to any area, from a multistate region to a single Zip Code.

But clients were slow to sign up, and Valentine ran out of money to continue his expansion. In 1984 he sold out to John Blair & Co., a New York-based marketing company. Blair invested \$120 million over the next two years to expand Advo into 238 markets. Partly because of lax management and controls, Advo racked up \$50 million in losses and was almost closed down. It was rescued in May, 1986, by a group led by Warburg, Pincus & Co., which bought control for \$11 million and spun off remaining shares to Blair stockholders.

Advo's problems also stemmed from

the newspapers' counteroffensive. When Advo first invaded their markets, they paid little heed. Lush, often monopolynourished bottom lines had made them lethargic. Now most play Advo's game, with weekly ad mailings to targeted non-subscribers. And they have slashed preprint prices.

CHARGED RHETORIC. The American Newspaper Publishers Assn. is lobbying against what it claims are the Postal Service's preferential third-class rates. During rate hearings in 1984, similarly worded anti-junk-mail editorials ran in many papers. Advo claims the campaign was orchestrated by the ANPA, a charge the ANPA denies. Current rate proposals would hike Advo's postage by 22% next year, raising its costs by \$50 million.

The charged rhetoric that newspaper people use to discuss Advo is striking. While dismissing notions of a newspaper conspiracy, *Houston Chronicle* President Richard J. V. Johnson, a former ANPA president, says: "They're ganging

HOW ADVO IS MOVING IN ON WASHINGTON POST TERRITORY

ADVO-SYSTEM, INC.



ADVO COMPETES WITH THE POST AND ITS FREE WEEKLY POST PLUS SHOPPER TO DISTRIBUTE AD INSERTS

The Washington Post

The Washington Post *plus* mail

By every measure, Washington, D. C., should have been impenetrable to Advo. *The Washington Post* reaches 75% of all households with its Sunday edition and has close ties with big retailers, normally Advo's best customers. Yet after five years of work, Advo has 2,200 Washington clients and distributes 1 billion ad pieces a year, almost as many as the *Post*. "We treat them as very serious competitors," says *Post* ad chief Nicholas Cannistraro Jr. "They've been very successful."

"We decided not to bang heads with the *Post* directly," says Peter A. Corrao, Advo's eastern division manager.

"We went after markets the *Post* wasn't serving very well." That meant small retailers, for whom Advo performs printing and graphic services. "We function as a complete ad agency for them," Corrao says. It also meant extending Advo's reach to the high-growth suburbs between Washington and Baltimore and south into Virginia, where the *Post's* penetration was small. The *Post* responded with *Post Plus*, a weekly shopper with preprint inserts mailed to nonsubscribers.

Eventually, says Corrao, Advo hopes to build enough of a base to be able to go after "the big guys. It's a tough sale, but we haven't given up."

1	Exxon
2	General Motors
3	Mobil
4	Ford Motor
5	IBM
6	Texaco
7	E.I. du Pont
8	Standard Oil (Ind.)
9	Standard Oil of Cal.
10	General Electric
11	Gulf Oil
12	Atlantic Richfield
13	Shell Oil
14	Occidental Petroleum
15	U.S. Steel
16	Phillips Petroleum
17	Sun

27 million Americans can't read. And guess who pays the price.

Every year, functional illiteracy costs American business billions.

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up with the Postal Service against us. If you sit around the ANPA board, you'll know damn well we're fighting the hell out of the direct mailers."

Myron L. Lubin, an Advo division manager, says that when a Western supermarket chain decided to shift preprints for two stores from the local paper to Advo, the town's mayor, on behalf of the paper, told the stores' ad manager it was his civic duty to stay with the newspaper. The ad manager acquiesced. According to Lubin, he told an Advo salesman: "We don't want the newspaper to start saying my meat's no good."

What upsets publishers most is Advo's impact on ad rates. It has forced preprint prices down by 50% or more, which is luring advertisers away from much-higher-priced display ads and in turn is putting a lid on display rates. Delivering the surging volume of preprints, 20% of total newspaper ad revenues, is still lucrative. But for some papers it has become almost the difference

Most newspapers
are unable to match
Advo's ability
to saturate markets

between profit and loss. As they become mere delivery vehicles, newspapers worry they are more vulnerable to Advo's competitive advantages. Most newspapers are still unable to match Advo's saturation and segmentation capabilities. **'JUST UPSET.'** Advo is striving to sharpen its edge. A new management team led by Hugh R. Beath, a former consumer products executive, has reorganized Advo, which is now in the black. Advo has retreated from unprofitable markets, instituted tight controls, and initiated marketing efforts aimed at national advertisers and ad agencies. It is working with such major marketers as General Electric Co. and McDonald's Corp. on joint national and local preprints, featuring a national rebate or coupon, for instance, coupled with customized local promotions delivered to the selling areas around hundreds of local dealers or franchisees. "This is something nobody else can do," Beath says.

Beath, nevertheless, insists newspapers are overreacting to Advo. "They're just upset because without us they'd have a monopoly in many markets," he says. "But we're hardly destroying them." True. But Advo should continue to make them very uncomfortable.

By Chris Welles in New York

'CUSTOMER BASE IS EVERYBODY'

K mart is your preprint place

The giant retailer has shifted millions of its ad circulars to direct mail, but a key executive says the current mix of newspapers and mail has stabilized

Even though newspapers continue to carry the bulk of all K mart advertising, their share of the giant retailer's preprint business has dropped from 89 percent to 62 percent in the last six years.

Most of the loss has been to shared mail—much of it to Advo-System Inc.'s "Marriage Mail" program.

But K mart's advertising director, Gerald K. Habeck, says the preprints' exodus from newspapers has stopped. The ratio of K mart advertising in newspapers and in the mail—about 2:1 in favor of newspapers—is "primarily going to stay where it is now. . . . Of course, it will depend on the newspapers' insertion rates" and market coverage, Habeck adds.

However, the K mart executive would not explain why he thinks the situation has stabilized.

The reason why K mart shifted to shared mail in the first place explains why this manner of delivering advertising circulars has become one of the biggest, if not the biggest, competitors for newspapers.

Shared mail, in which two or more advertising circulars are combined into one piece for low-cost, third-class delivery, provides "about 25-percent more saturation" than typical newspaper distribution, says A. Robert Stevenson, K mart's vice president of government and public relations.

"Our customer base is everybody. . . . Every 30 days about 50 million customers go through our stores," he says. "We see a response in the store level better (with mail delivery) than with newspaper distribution."

Stevenson says that before the advent of shared mail in late 1979 and early 1980, "newspapers had pretty much of a monopoly position on these insert rates, and in our view (those rates) were not cost-justified."

Advertising Director Habeck adds that shared mail has turned out to be "far less expensive" for K mart than newspaper delivery.

The nation's second largest retailer, K mart spent \$424.6 million on advertising in all media during the year ending Jan. 25, 1984. Officials will not break down that figure by individual medium.

However, knowledgeable sources estimate that 90 percent of it was for newspaper advertising and direct mail combined—mainly in the form of preprints. And in testimony in the recent postal rate case, K mart officials reported that newspapers in 1983 carried 65 percent of all K mart advertising circulars, or about 43 million, every week. Thirty percent of the

BY C. DAVID RAMBO
presstime staff writer

total, or 20 million, was delivered by shared mail.

K mart testified that with preprint volume holding steady in 1984, shared mail's portion would increase to 33 percent while newspapers' portion would drop to about 62 percent.

Newspaper losses defined. Newspapers' precipitous decline from the lofty level of 89 percent in 1979 can be traced to lower third-class bulk rates that have made direct-mail programs a viable alternative to newspaper insertion.

In rate-case presentations last year, K mart officials showed that shared mail handled only 4.5 percent of the store's 55 million circulars distributed in 1979. In one year alone—from 1982 to 1983—K mart's use of shared mail doubled from 10 million to 20 million pieces.

Newspapers in all parts of the country report they have lost mid-week K mart preprints. But some have been able to recoup part or all the business.

Particularly hard hit were the midwestern states of Indiana, Kentucky, Michigan and Ohio. K mart in the summer of 1983 shifted mid-week preprints from all daily newspapers in that area to the mails. Most of the papers, though, held on to the supplements for their Sunday edition.

George E. Stoner, advertising director of The Monroe (Mich.) Evening News, says

K mart has indicated there is "little opportunity" for newspapers in the four-state area to get their mid-week inserts back unless there is "some drastic change" among newspapers throughout the region. Such changes could include many factors, including increased penetration in some parts of the region, he says.

Stoner says it is his impression that K mart would not return to newspapers in the area on an individual basis. "If they go back, it would be a complete return" to all of them, he believes.

Even with loss of the mid-week business, Stoner notes, K mart still is one of the Evening News' top five advertisers.

The big picture. Because K mart operations are located in nearly all parts of the country, most daily newspapers have been affected by the retail giant's marketing decisions.

For example, like its counterparts in the Midwest, The Vallejo (Calif.) Times-Herald lost K mart's mid-week preprints about a year ago, says Advertising Director Ronald C. Rhea. The paper now runs a combination of K mart preprints and ROP advertisements on Sunday.

K mart, with retail sales expected to top \$20 billion in 1984, is second only to Sears, Roebuck and Co. in that category. Sears and K mart also rank number 1 and 2, respectively, in ad expenditures of the

leading "brand" advertisers in newspapers, according to a directory of the top 200 brands published annually by Marketing & Media Decisions magazine.

As of a year ago, ubiquitous K mart had 2,160 discount department stores. Unlike some other big retailers, the stores mostly are stand-alone buildings and not part of major shopping centers.

But like other retailers, K mart is diversifying. Product lines within its stores are expanding in such areas as "home-improvement centers" and "home electronic centers." Through the latter, K mart is becoming a leading seller of personal computers in the less-than-\$500 price range.

In 1983, the corporation also recorded \$575 million in sales outside its stores from numerous other holdings including 201 Kresge and Jupiter stores, 29 Designer Depot apparel stores, a chain of cafeteria-type restaurants and an insurance subsidiary. On Jan. 14, the firm announced it will enter the drugstore business by purchasing Pay Less Drug Stores Northwest Inc. for \$500 million. And on Jan. 21, it said it will offer some consumer financial services on a test basis in 31 of its stores.

The heart of the K mart approach is mass marketing. It targets everybody as a likely customer. Therein lies the problem for newspapers, whose paid-circulation products do not reach every household in a given market.

Competitive response. Newspapers have responded to K mart's and other retailers' marketing needs in numerous ways, particularly through total-market-coverage programs whereby copies of the newspaper and inserts are delivered to non-subscribers as well as subscribers [presstime, April 1984, p. 22].

Another approach being explored is to form "networks" of newspapers in a given area so they can make a more effective sales pitch for all regional and national advertising. The Newspaper Advertising Bureau has

formed one such network in North Carolina. (See story, p. 14.)

Newspaper executives say the NAB efforts are paying off.

As for the TMC programs, observers say they have been positive steps, although immediate results have been mixed.

"Some (TMC programs) aren't up to the standards that we need," says K mart's Habeck. He says those "standards" include sufficiently high penetration at the right cost. Specifics of suitable standards are determined by each of K mart's five regional offices that buy print-media space and mail services, he explains.

Sometimes the criteria for those standards are not easily defined. For example,

The Oregonian in Portland, which carries K mart Sunday preprints, has a TMC program offering high penetration. "I think it's a very effective one, but K mart does not," says Retail Advertising Manager Richard M. Bixler.

On the other hand, a TMC program has been successful in keeping K mart and other advertisers of the Las Vegas Review-Journal happy, says Advertising Director Larry W. Hall. "They (K mart) have been with us from day one."

Hall adds that "our rates are very fair rates," and household penetration with the newspaper and mailed non-subscriber publication called "Family Fair" is greater than 90 percent.

Unlike newspapers in many other markets, the Las Vegas newspapers have no direct-mail competition, says Hall.

TMC programs also have been successful for Gannett, says Mark R. Arnold, vice president/advertising of Gannett Newspapers. "The key, I think, is to try to cut the cloth for the garment K mart is trying to manufacture," he says. That means offering as high a household penetration as possible.

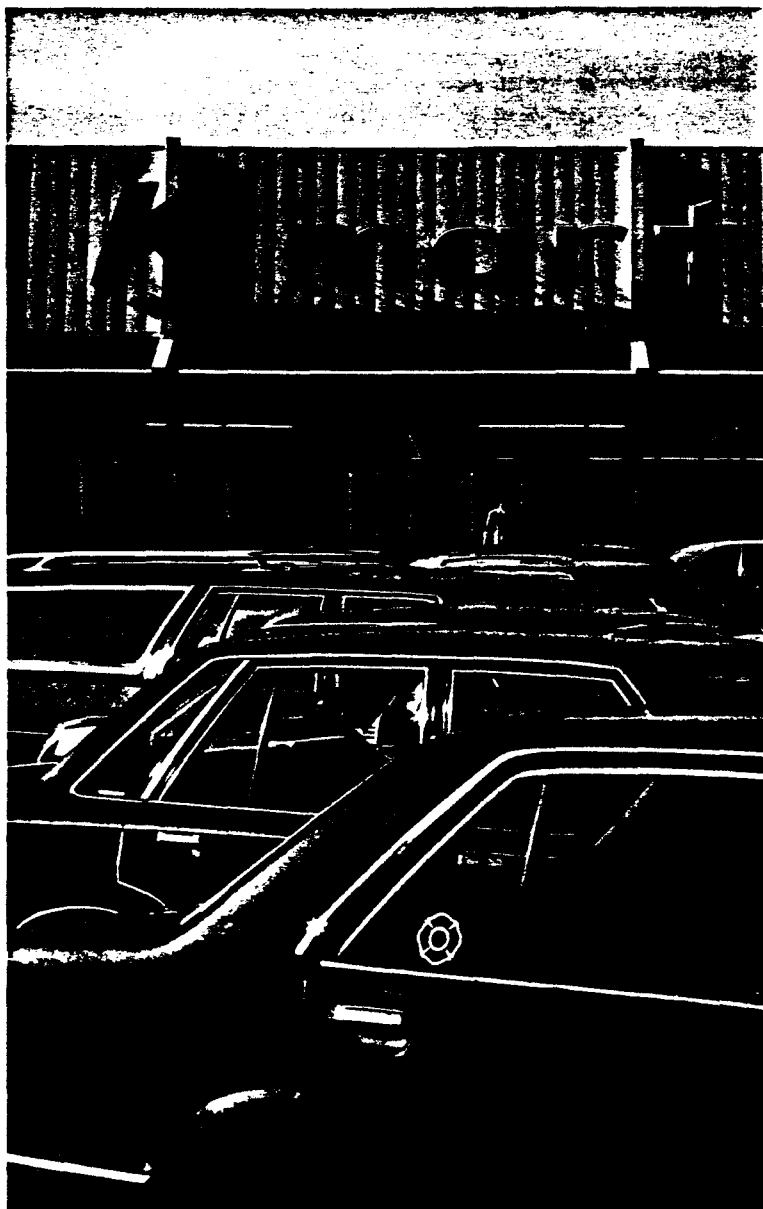
"The rate has to be right, too," Arnold adds.

K mart is one of the top 10 preprint advertisers for all Gannett newspapers, and is one of the top three for many of the group's members, according to Arnold. In fact, K mart also is in the top 10 run-of-paper advertisers for some Gannett papers, he says.

Success does not depend solely on a TMC program. Howard F. Renner, advertising director of The Morning Call of Allentown, Pa., says his newspaper carries both mid-week and Sunday K mart preprints as well as inserts from at least four other major retailers. Part of the reason it has so much K mart business is relatively high paid-circulation penetration—79 percent "in our primary market area."

But another factor is the Call's sophisticated sales approach.

While most newspapers' sales presentations include



An average of 50 million people visit K mart stores every month.

C. David Rumber

Newspapers have responded to K mart's and other retailers' marketing needs in numerous ways, particularly through total-market-coverage programs. Those have been positive steps, although immediate results have been mixed.

"probably no more than a rate card and (a mention of) where we are in the market," Renner says, the Call goes to K mart loaded down with research data like display shelves heavily stocked for a "blue-light special." The Call shows "where we go, who we reach" and dozens of other bits of information. The newspaper's market research manager "has a slide for just about anything you want," Renner says.

The sales presentation includes data and graphics stored and displayed on an Appie computer.

Renner observes that selling is "no longer walking in and saying, 'What do you want to buy today?' You'd better have

your act together."

There is plenty of opportunity for newspapers to do so with K mart. Advertising executives say that despite the new alliance of K mart and direct-mail firms, the retailer remains good friends with the newspaper business.

That is, company managers are always willing at least to talk with newspaper executives. Unlike some other big retailers, K mart officials are "extremely accessible and always have been," says Rhea of The Vallejo Times-Herald.

K mart's Stevenson says, "There is no problem as far as newspapers' making their case." □

Networks help papers compete

One way newspapers are responding to the challenge of direct-mail and other competition for preprints is by participating in marketing "networks." These attempt to make groups of newspapers more attractive for preprint distribution and easier to buy.

To date, there are two forms of such newspaper-related networks.

One has been organized by the Newspaper Advertising Bureau of all daily newspapers in North Carolina. James H. Hollis, NAB vice president/mass merchandising, explains that the network involves a compilation of all the newspapers' individual marketing information into a "common format." It results in the possibility of a strong, single ad-sales presentation.

"The concept is dynamite," says Gary B. Ahlstrom, advertising director of the Charlotte News and Observer. "It allows newspapers to offer many of the same things that direct mail provides."

To illustrate the practical effects of the network, Ahlstrom says that "if you put 50 newspapers in a room and you say, 'Show me what you have in your market,' you have 50 different presentations." Networking, he explains, gives a retailer one presentation encompassing all 50 markets.

The network does not "tout an individual newspaper," says Hollis. Nor does it push for advertisers to "buy them (the state's dailies) all or nothing" [presstime, May 1984, p. 34].

The second form of network was started in late 1983 by the Atlanta office of Landon Associates, an advertising-representative firm. Landon sets up individual buying networks for advertisers who can place one order and get a separate bill from each newspaper.

"The name of the network takes the name of the retailer," explains Jeffrey A. Deitz, southern regional sales manager. Landon has organized 14 networks consisting of "14 retailers we've lifted right out of the mail."

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Penney is sold on the cost efficiency of preprints

By M.L. Stein

The good news for publishers from a major advertiser was that generally ROP advertising is more effective for his firm than preprints.

The bad news was the complaint by the advertiser that ROP rates have risen so fast that a wide gap has been created between the cost efficiency of a preprint and ROP.

Larry D. Walker, Western regional advertising manager of J.C. Penney Co., offered this view at a panel called "Listening to Our Customers" at the recent convention of the California Newspaper Publishers Association.

The veteran advertising executive said he has expressed his concerns to over 70 newspapers about what he termed the "decline in ROP cost efficiency created by annual rate increases while circulation has remained basically flat, resulting in an escalating cost per thousand."

as did the ROP markets," he noted. However, he added, the company's research found that preprint markets had less sales in unadvertised departments of the stores, while ROP markets had better sales in those departments.

"Therefore," Walker pointed out, "preprints did not assure overall store merchandise sales or gross margin dollar gains from the previous year, even with high advertised item gains."

Penney determined that customers were using preprints in the same way they would a mail-order catalog — picking items they liked and making a purchase decision almost before they get to the store, Walker said.

Penney concluded that preprint is a powerful tool that should be maintained, but it also needed a good balance of ROP to traffic its stores, he declared.

While that would seem to be cheery

\$30 a thousand range — you could lose the entire account to an alternative distribution system."

Still, there is a positive side of the issue for newspapers, Walker told CNPA delegates. If newspapers, he explained, can get their "runaway ROP rates in line," the company, instead of going to a commercial printer, could buy newspaper ROP space.

In the Los Angeles area alone, he said, this represents \$3 million in revenue.

"Have you ever increased revenue that much with your traditional rate increase?" Walker asked. "Never mind, I know the answer to that one."

Another panelist, Larry Davis, vice president/advertising for Vons, a major supermarket chain, said although his business used relatively little preprint, preferring ROP, it nevertheless expects newspapers to provide research information that helps increase its volume.

"We want to know what customers read you," he remarked. "What turns your readers on and off? Is the right page or the left page better for us? What kind of ads turn on your readers? Any information you can give us about your area is welcome but the research must be current and accurate."

He chided one newspaper for representing Vons in October with data obtained from research the previous April.

"A lot can change between October and April," Davis observed.

The advertiser praised newspapers for doing an "excellent job" in their food sections, but urged that the sections be made even more interesting.

175th anniversary for Mobile Register

The *Mobile (Ala.) Register* will celebrate its 175th anniversary with a special section April 24 and with stories and events throughout the year.

The Register, the morning newspaper of the Mobile Press Register Inc., began publication in 1821, but dates itself to 1813 because it absorbed the *Mobile Gazette*, established in that year. The afternoon publication, the *Mobile Press*, was founded in 1929.

"We found that the preprint sold twice as much of what was advertised as did the ROP markets," he noted. However . . . preprint markets had less sales in unadvertised departments of the stores, while ROP markets had better sales in those departments.

Walker attributed this problem to the fact that many newspaper managers are "encumbered by tradition," but said he was encouraged by the emergence of a new breed of newspaper executives who are "willing to explore some very non-traditional methods for improving service to their advertisers."

Talks with these individuals have convinced him that the time is not far off when a simple dollar volume rate structure will be standard for the newspaper industry, Walker stated.

In presenting the Penney viewpoint, he explained that the company's marketing strategy is built around a corporate, 12- to 48-page, full-color preprint. Some 30 million are inserted weekly, mostly in newspapers, he added.

Walker said the preprints are "merely cost-efficient "and really sell . . . merchandise."

"We found that the preprint sold twice as much of what was advertised

news for publishers, Walker argued otherwise.

He conceded that although newspapers have generally stayed competitive with alternate preprint distribution systems, soaring ROP rates have created the cost-efficiency gap with the inserts.

Equivalent space in an ROP format might have 20 to 25% more value, but most newspaper rate cards show a CPM gap of over 50% and many go beyond 70 %, Walker stated.

The result is that many J.C. Penney markets have taken their ROP dollars and developed local market, black-and-white preprints, he reported.

In some markets, including the San Francisco Bay area, ROP is almost non-existent, the speaker added.

"If this is happening with your paper, you have become extremely vulnerable," Walker warned. "Unless you maintain your competitive posture with insert rates — and right now that would be in the \$25 to

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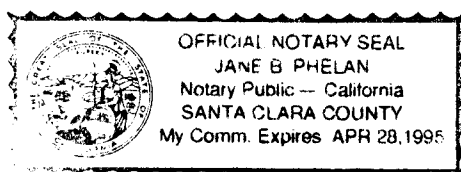
March 1988

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This is Exhibit C to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

ANPA questions USPS seminars promoting use of direct mail

Should the U.S. Postal Service sponsor seminars on how to advertise by direct mail as a way to "eliminate the waste sometimes found with broad, widely focused media?"

ANPA doesn't think so. And Postal Committee Chairman Stephen B. Waters has asked for an explanation from Postmaster General Anthony M. Frank on a series of 17 day-long USPS seminars titled "Marketing With Direct Mail." The first was held July 24 in Columbus, Ga. The last will be April 18, 1991, in Amarillo, Texas.

"I am having trouble understanding how the Postal Service can get away with sponsoring programs to build direct marketing third-class mail volume," Waters said in an Aug. 13 letter. "Are you also offering programs to explain to people the advantages of using mailed newspapers as an advertising medium? If so, I missed them."

Waters, vice president and general manager of The Rome (N.Y.) Sentinel Co., said it

appears USPS is "favoring one group of postal customers over another," and "that offends my sense of fairness."

In promotional literature for the seminars, USPS says direct mail "fits right in with the needs of today's cost-conscious marketer because it is specifically targeted to reach only predefined prospects in specific market niches." The seminars review the effectiveness of direct mail and how to use it.

The direct-mail marketing program is one of eight Professional Business Seminars USPS has scheduled for July 1990-April 1991 under auspices of its Mailer Education Center, which opened in 1987. Other topics include "Second-Class Mail," "Third-Class Bulk Mail" and "Mailing Procedures for Administrative Personnel."

ANPA postal experts said these seminars are mainly technical in nature, while the direct-mail marketing program inappropriately offers instruction in how to use USPS to compete against newspapers. □

USPS adopts slower first-class delivery

Despite objections raised by the Postal Rate Commission, the Senate Appropriations Committee and various organizations including ANPA, the U.S. Postal Service has implemented new guidelines that slow down first-class mail delivery.

ANPA opposed the change, warning that longer delivery times for first-class could hurt second-class delivery.

USPS on July 28 adopted the new procedures that will decrease the amount of first-class mail delivered on an overnight basis. The change is "designed to provide improved, more consistent service," and to save money, postal officials said [presstime, June 1990, p. 62].

The rate commission recommended against a service cutback nationwide. It said USPS did not perform adequate market research or show possible cost savings.

The Senate committee Aug. 1 asked USPS to suspend the new guidelines. However, the Postal Service by late August had not said whether it would do so. □

Schermer has another way to look at mail volume

Growth in third-class direct mail has been well-documented by cold U.S. Postal Service statistics.

But ANPA Chairman Lloyd G. Schermer, chairman and chief executive officer of Lee Enterprises Inc., has measured the flood of "junk mail" in a more down-home, illustrative way. He saved all of it received at his Davenport, Iowa, house for the years 1985 and 1989. His results:

- The number of pieces increased 50 per-

cent, from 1,403 in 1985 to 2,103 in 1989.

- The height of the 1989 pile was more than two and a half times that of 1985's—194 inches compared with 72 inches.

- The number of catalogs and shoppers more than doubled, from 608 to 1,234 (partly attributable to the fact that the Schermer household has made purchases from catalogs).

- The number of pages of ads jumped 180 percent, from 27,755 to 77,742. □



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... Service's communications... network.

UPI said the agreement with Bonneville would save it at least \$3 million a year in communications costs.

The deal, however, is contingent on UPI resolving its Chapter 11 proceedings in a manner "satisfactory" to Bonneville, the two parties agreeing

Under the arrangement, \$900,000 of the \$1.8 million would be paid to Equatorial Communications to remove the security interest Equatorial still holds on 300 earth dishes, therefore clearing title to the equipment. UPI purchased a total of 2,045 dishes from Equatorial.

The remaining \$900,000 would go to set up a communication trust fund controlled by both companies and used for covering expenses incurred

in setting up the new network.

The inclusion of the FM network would enable UPI to expand its service without the expense of added satellite equipment or land lines. The FM system can serve several receiving points from a single distribution point.

The deal with Bonneville would also enable all of UPI's satellite transmissions to come from a single transponder. Now UPI transmits via transponders on two satellites, Westar III and Westar IV.

Abitibi-Price cuts back its newsprint production

By George Garneau

Abitibi-Price Inc., the largest supplier of newsprint, has cut production in August in response to sluggish demand.

The reduction amounts to a five-day halt at the company's nine newsprint mills and brings the company's total downtime to 26 days in the first eight months of 1985.

The temporary idling of newsprint mills has been widespread in recent months among most of the major Canadian manufacturers as they react to a continuing oversupply that has already delayed price increases planned for January, according to producers and analysts.

Publishers' inventories are still higher than normal, and demand is not expected to reach budgeted levels until those inventories shrink," according to John Davis, chairman of Abitibi-Price Sales Corp., the

manufacturer's sales arm.

Davis said Abitibi has already idled its newsprint mills for 21 days this year but announced the August cutback because of a perception that producers were not reducing supplies.

"We are taking the downtime as it's required," Davis said, adding that production this year was expected to be 90% to 92% of capacity.

Mark Rogers, a paper analyst with Dean Witter Reynolds Inc., said that so far this year consumption has been up a little more than 1% compared

with last year, still lagging behind production, which is up about 3.5%.

Large inventories and cheaper foreign newsprint have been blamed for repeated delays by Abitibi and other newsprint producers of a price increase that was scheduled for January and then repeatedly delayed. That increase is planned by some to take effect in September, though whether or not it will be still unclear.

According to Rogers, demand has to improve and inventories have to drop in order for the price increase — from \$535 to \$570 a metric ton — to stick.

Rogers said the oversupply this year was a result of producers overestimating the strength of the economy.

"We are taking the downtime as it's required," Davis said, adding that production this year was expected to be 90% to 92% of capacity.

ANPA says test proves third-class mail rates are too low

The American Newspaper Publishers Association recently conducted a seven-city postal experiment to bolster its argument that third-class mail rates are set too low and are subsidized by first-class rates.

The ANPA found that 98% of the pieces of mail sent first class from the seven cities took three days to reach their destination. It took only four days for 98% of the identical pieces sent by third-class mail to reach their destinations, even though the cost of mailing third class is about one-eighth the cost of first class.

The mail delivery test was conducted for ANPA by Ruder, Finn & Rotman, an independent research and communications firm.

The areas included in the test were Arlington, Va.; Atlanta, Ga.; Bangor, Me.; Canton, Ohio; Indianapolis, Ind.; San Francisco, Calif.; and Springfield, Mo.

In the test, each household received three different envelopes of identical weight, all mailed at the same time at one mail facility in each area. The contents of each envelope weighed just over three ounces.

The envelopes sent by first-class mail required 73¢ postage. Those sent first class, presorted by carrier route, required 68¢ postage.

The envelopes mailed third class, presorted by carrier route, required 8.3¢ postage.

"ANPA believes that third-class rates do not fairly reflect the cost of delivering third-class presorted mail, with the result that businesses and private citizens using first-class service subsidize bulk-mail advertisers and other using third-class mail," the association stated.

Gannett to merge Binghamton dailies

The morning *Binghamton* (N.Y.) *Sun-Bulletin* and the evening *Binghamton Press* will be merged into a single morning newspaper on September 30.

Susan Clark-Jackson, publisher of the two dailies, said changes in population demographics and lifestyles have resulted in a steady de-

cline in the circulation of the *Press*.

However, the *Press* still has double the daily circulation of the *Sun-Bulletin*, with 57,994 evening circulation to 28,840 morning circulation, according to Audit Bureau of Circulation figures for September, 1984.

Sunday circulation for the *Press* is over 68,000.

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dual ad by an individual dealer in a large market; Nassau-Suffolk (N.Y.) Pontiac Dealers Association for best campaign by a dealer advertising association; and Quality One Chevrolet Dealers of Northwest Illinois for best individual ad by a dealer advertising association.

Awards were Gary James, managing editor of *Automotive Executive*; Ray Stone, president and creative director of Raymond Stone Associates; and Herbert Barger, director of classified advertising for the *Houston Chronicle* and current president of the American Newspaper Classified Advertising Managers.

JUST WHEN THE OTHER DEALERS THOUGHT THEY'D CAUGHT UP WITH US, CHECKERED FLAG TAKES THE LEAD.



AGAIN.
Introducing *Financial Saver Plus*.
Checkered Flag is a new concept in advertising. It's a new way to reach your audience. It's a new way to reach your audience. It's a new way to reach your audience. It's a new way to reach your audience.

Press 'boycotts' press conference

Gary Walker, a member of the Fairfield (Calif.) city council, called a press conference and nobody showed up.

announced conference.

Walker called the conference to announce his candidacy for the Solano County board of supervisors.

Within a 10-mile radius, Northern Solano County has two daily newspapers and a weekly. There is one other daily and three weeklies in the county.

"Editors from two papers told me they couldn't send reporters without paying overtime," Walker said.

"Ha! I told them I did it purposely," Walker said. "Reporters need overtime pay to make ends meet. I don't know how they make it on their salaries."

He was asked — and consented — to grant interviews prior to his

—Kathryn Keatley Garvey

ANPA to Postal Service: Reject Advo's second class mail proposal

The American Newspaper Publishers Association wants the U.S. Postal Service Board of Governors to reject a proposal by Advo Systems Inc., a major competitor of newspapers, that would change the rules of second class mail for dailies publishing two issues a day.

competitors through the use of the Postal Rate Commission's process.

ANPA said if the proposal is approved, newspapers will lose the use of second class mail to attract new subscribers through total market coverage programs. The alternatives left will be their own carriers or higher priced third class mail, ANPA said.

ANPA pointed out to the governors that mailer organizations supporting Advo's position are also competitors of daily newspapers. Some magazines also support the rule change, ANPA said, noting that such publications are highly unlikely to publish two issues on a single day.

ANPA also told the governors it believes the Postal Service should not allow any of its customers "to dictate unfair and inequitable" rules for their

ANPA asked the governors to instead order the Postal Service to enforce existing second class regulations to keep advertising publications out of that mail category.

Advo, a third class mailer of advertising preprints and one of the Postal Service's largest customers, charges that newspapers which use second

class mail to distribute one issue a week to non-subscribers are abusing the second class category.

The Postal Rate Commission responded to Advo's complaint by recommending that whenever a publication has more than one issue a day, and one issue goes beyond a distribution ceiling for non-subscribers, that issue would become a separate publication which must be sold individually to readers.

The PRC's recommendation now must be approved or rejected by the Postal Service's Board of Governors, who are expected to consider the matters at their March meeting in Washington, D.C. There is no time limit for the governors to act

ANPA criticizes new third class mail rates

By Andrew Radolf

The American Newspaper Publishers Association has sent a brief to the Postal Service Board of Governors stating the association's objections to third class mail rates recommended by the Postal Rate Commission.

ANPA also stated that the "conduct of the Postmaster General involving possible conflict of interest" raises "questions" about the final PRC third class recommendations.

The association noted that Congress, the General Accounting Office and the Office of Government Ethics are investigating the matter and stated "the results of those investigations must be taken into account in the final disposition" of the PRC's rate hearings.

The *Wall Street Journal* in a recent article revealed that the Postmaster General, William F. Bolger, began negotiating in May with the Direct Marketing Association to become its president. The DMA counts many third class mailers among its members, including John Blair & Co., which acquired one of the nation's leading shared mailers, Advo System last year.

Bolger denied any conflict of interest and said that while he was negotiating with DMA he removed himself from any discussions of rates by the board of governors or Postal Service executives. However, Bolger removed his name from consideration for the DMA post shortly after the *Journal* article appeared.

In its brief, ANPA reiterated its position that "a one-time change in the alignment of first and third class rates to restore fairness and balance to all postal rates."

ANPA wants third class mail rates to be restructured so that each piece of third class mail to be charged both according to its weight and by the piece. The ANPA proposal would do away with the "weight break" that sets the upper limit at which third class mail is charged according to the minimum per piece rate instead of by weight.

The PRC recommended a minimum per piece rate of 8.3¢ for third class bulk mail weighing up to 3.5 ounces each that is presorted by carrier route. Third class bulk mail, presorted by carrier route, which weighs more per piece than 3.5 ounces would be charged at the rate of 38¢ per pound.

ANPA proposed that all third class mail presorted by carrier route be charged 6.9¢ per piece plus 39¢ per pound.

The Postal Service's Board of Governors will meet this week to begin considering the PRC's rate recommendations.

The outlook among both ANPA officials and officials of the Third Class Mailers Association is that the governors probably will accept the PRC's recommendations although they do have some power to change the proposals.

"The degree to which the governors are able to change the recommendations continues to be a subject of much speculation," said Terry Maguire, ANPA vice president and

general counsel. "We believe the record of the case fully supports the proposal we put forth. All logic would suggest rates ought to increase with increased weight."

Maguire said ANPA decided to base its rate proposal on "law, the data and economics" rather than on competitive arguments about the impact of low third class rates on newspapers because "we felt we would not ask for special consideration for newspapers."

Several newspaper executives expressed concern that the rates for third class mail would be harmful to their own mail programs while favoring established mailers such as Advo.

The PRC's proposed rates actually go down for pieces of mail weighing more than eight ounces. The newspaper executives saw this as an advantage to Advo which has been "heavily up" on its mailings. Newspapers seeking to begin their own mail programs, on the other hand, tend to have mail pieces in the low weight ranges where the rates increase under the PRC recommendations.

The fact that some newspapers saw a benefit in low third class rates did not mean ANPA was dealing with a divided constituency in determining its strategy for the PRC hearings. Maguire said.

"We recognized from the very beginning that newspapers have mail programs" he said. "The decision we reached (in proposing rates) is in the best long term interests of newspapers and the Postal Service," Maguire added.

Pentagon announces combat press coverage plan

The Pentagon announced plans for an 11-person news pool to cover any future U.S. military operation such as the landings in Grenada.

The pool would be used when military circumstances do not allow for accommodation of a larger news contingent, said Michael L. Burch, Assistant Secretary of Defense for Public Affairs. Members of the pool would be allowed to transmit information, Burch said, after the need for secrecy ends.

The pool would be composed of: one reporter each for the Associated Press and United Press International; one reporter each from ABC, CBS, and Cable Network News; one cameraman and one television sound man to be shared by the tv

correspondents; one reporter for news weeklies — *Newsweek*, *Time* and *U.S. News & World Report*; one still photographer from an organization to be designated; and one radio reporter from a network to be designated.

In announcing the arrangement Oct. 10, Burch said daily newspapers were not assigned to a seat in the pool because all dailies receive at least one of the major wire services. He said, however, that the pool could be enlarged if circumstances of any particular case allow.

The pool arrangement in general follows the recommendations of a special commission headed by Gen. Winant Sidle, retired, who was U.S. military spokesman in Saigon during

much of the war in Vietnam. The commission had been set up in response to press protests that newsmen were not allowed to cover the landings in Grenada.

P.O. loses E&P copies

Editor & Publisher learned Oct. 10 that one of two trailer trucks carrying copies of the Sept. 29 edition was "lost" by the Post Office between East Stroudsburg, Pa., where they were printed, and their mailing point at the Philadelphia Post Office. It was not located until Oct. 5. The P.O. could give E&P no information as to where and why the truck was lost. E&P learned of it only after complaints from readers who received their copies of the Sept. 29 and the Oct. 6 issue at the same time.

COMPETITIVE

STAFFERS' INTERESTS

Promotion winners

(Continued from page 14)

Judges in the circulation/carriers, NIE and direct mail classifications were: Rikie McDaniels, advertising promotion manager for the *Baltimore Sun*; Howard E. Paine, art director of *National Geographic* magazine; and Donald McCarten, art director of *U.S. News & World Report* magazine.

Those who judged entries in the employee newsletter and radio categories were: Paul M. Rothenburg, vice president/general manager of the *Washington (D.C.) Times*; Pat Ryan, promotion director for WMAL-AM in Washington, D.C.; and Cate Cowan, director of public information at National Public Radio, also in Washington, D.C.

The television and outdoor/poster judges were: Candace Medd, creative services manager for the *Washington Post*; Christopher Rogers, president of CDR Consulting & Productions of Woodbridge, Va.; Carmen Marshall, executive director of the National Black Media Association in Washington, D.C.; and Susan King (television only) of WRC-TV, also in Washington, D.C.

Judges in the public relations/com-

Los Angeles Times Classified Ads

FOR PEOPLE WHO ARE GOING PLACES.

I GOT THE JOB!



Los Angeles Times, First Place—Outdoor

munity service and advertising promotion classifications were: John C. Williams, marketing director of the *Atlanta Journal and Constitution*; Henry A. Simons, vice president/creative director of the Newspaper Advertising Bureau in New York; and Judy Hines, vice president and director of the American Newspaper Publishers Association Foundation in

Reston, Va.

The trade press and multimedia judges were: Vince Spezzano, publisher of the Gannett Rochester (N.Y.) Newspapers; Daniel Russ, senior copywriter at the Martin Agency in Richmond, Va.; and Jan Drews, art director of the *Washingtonian* magazine in the District of Columbia.

Postal Service seeks higher mail rates

The U.S. Postal Service Board of Governors has proposed new rates raising the cost of postage in every mail category.

By a 5 to 1 vote, the governors approved increases averaging 16% for all classes of mail.

The cost of first-class mail would rise 3¢ to 25¢ for the first ounce and from 17¢ to 20¢ for each additional ounce.

Second-class in-county rates, the mail category used frequently by smaller newspapers to reach subscribers, would see the per pound rate rise from 9.1¢ to 10¢. The per piece rate, which currently ranges from 3.1¢ to 4.9¢, would range under the proposal from 3.3¢ to 5.5¢.

Regular second-class mail would decrease in its per pound rate from the current 11.8¢ to 28.9¢ range to a range from 10.3¢ to 23.7¢.

The regular second-class mail per piece rates will increase from the current range of 3.8¢ to 12.3¢ to a range from 4.7¢ to 15.1¢.

The third-class mail category, which is used by many newspapers to

deliver total market coverage products and by competing direct mailers, the rates would increase at the presort-by-carrier route level to 10.1¢ per piece from 8.3¢ per piece and to 45¢ per pound from 38¢ per pound.

The proposed rates must be considered by the Postal Rate Commission in a hearing that probably will take close to a year to complete.

The PRC can either endorse the rates proposed by the governors or propose its own rates. If the PRC puts forth its own rate proposal, the governors can then accept it, file new rate proposals of their own, or by unanimous vote institute their original rate proposals.

Both the National Newspaper Association and the American Newspaper Publishers Association will be active at the hearing.

NNA has usually involved itself in second-class mail issues, seeking rates that it deems to be fair to newspapers.

ANPA has long championed higher third-class rates and asserts its third-class proposals would enable the Postal Service to lower first-class mail rates. The association contends that first-class rates in the past have been set too high and are used to

subsidize third-class rates.

In a related development, the U.S. Circuit Court of Appeals for the District of Columbia dismissed as moot a suit filed by the NNA which charged the Postal Service acted improperly in March 1986 when it raised newspapers' second-class postage rates.

After NNA filed its case, Congress appropriated funds to be used for maintaining mail rates "at their current levels."

The court interpreted Congress's words to mean the Postal Service would not be able to raise rates even if told to by the court.

Globe and Mail now publications' ad rep

The *Toronto Globe and Mail* has announced the formation of a new division called Globe Media International to represent a select group of international publications in Canada.

Globe Media International will serve as their Canadian advertising representative and undertake marketing programs aimed at positioning each publication as a leading news and advertising publication.

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The third-class mail controversy

TCMA takes issue with ANPA's position that favored an increase in third-class mail rates; ANPA says it must be fair to all members

By George Garneau

The trade association representing third-class mailers charges that the American Newspaper Publishers Association "shot itself in the foot" seeking higher third-class rates that raised costs for newspapers.

The Third Class Mailers Association, in its newsletter, says ANPA's "misguided" and "mindless" efforts to hike rates for third-class advertising mail, or junk mail, resulted in higher costs for all third-class users—including newspapers that mail total-market-coverage (TMC) advertising to subscribers.

"We screwed their own members by advocating higher third-class rates," TCMA executive director Gene Del Polito said.

At least one ANPA member, Phil Kunkin, president of Capital Cities/ABC Inc.'s publishing group, disagreed.

"The net is that newspapers didn't get up with a whole loaf. They ended up with a half loaf, as opposed to a whole loaf," he said of the rate case.

"There were self-inflicted wounds," he said, "they were suffered by the Postal Service. By raising rates, the USPS is encouraging newspapers to use their own services for delivering ads," he said.

ANPA insists it seeks "fair" rates for all mail classes and argues third-class mail pays too little of the U.S. Postal Service's overhead.

"Our goal is to achieve better allocation of postal service costs," said

A vice president and chief counsel Terry Maguire. "Third class mail should bear a fair share of postal costs."

ANPA and TCMA are perennial adversaries over postal rates—even advertising mailers such as ADVO and newspapers both use third-class mail.

TCMA because it opposes discounts for

saturation mailers who compete against newspapers for advertising. ANPA argues indirectly for higher third-class rates.

In the last rate case, ANPA opposed a USPS discount for saturation mail, the kind used to blanket markets with ad fliers. ANPA and the National Newspaper Association supported instead a discount for the kind of advertising mail newspapers use—mail going to at least 125 households, or a minimum of 25% of the average 500 homes per carrier route.

Had the 125-piece discount been enacted—ANPA and NNA are urging it on appeal—the lowest rate for newspaper TMC ads would have been 1/2¢ cheaper, or 11.5¢.

For saturation ad mailers, the new saturation discount raised the lowest price by 4%, to 10.5¢, from 10.1¢. Newspapers successfully fought a USPS proposal that would have lowered the saturation rate by 10% to 9.6¢ a piece.

"Because of its misguided approach to postal rate advocacy,

"ANPA has tried and tried and tried to level the playing field. If that means raising third-class mail rates to be fair, then so be it," Waters said.

The Postal Rate Commission recommended higher base rates for third-class mail and discounts for saturation mail and for newspaper TMC advertising. Both required that mail be presorted in order of how carriers walk their routes and be delivered to local post offices. For the first time, the PRC gave saturation mailers a price advantage over newspaper TMC ads.

However, while the USPS board of governors approved higher third-class rates and the saturation discount, it eliminated the 125-piece discount for newspapers.

The governors protested that the PRC failed to consider that raising third-class rates would reduce mail volume and revenue, and they remanded the case to the PRC. It was possible rates could change as a result of the appeals or because of automation.

The increases, which took effect Feb. 3, raised rates for the most commonly used newspaper TMC mailings by 19%, to 12¢ a piece, from 10.1¢.

ANPA lost the walk-sequencing discount its members could have enjoyed," TCMA said.

In its appeal, ANPA said: "The proper economic solution to a revenue shortfall in third-class mail is to increase third-class rates which, because demand for third-class mail is inelastic, will generate higher revenues."

"We stand behind comments and testimony we filed at the rate case," said ANPA's Lisa Cody. Declining to respond to TCMA's charges, she said ANPA maintained its objections to how the USPS attributes its overhead costs among different kinds of mail.

"The intent is not so much to raise rates [for third class] as it is to fairly allocate costs," said Stephen Waters, chairman of ANPA's postal committee and vice president and general manager of the *Rome (N.Y.) Sentinel*.

"ANPA has tried and tried and tried to level the playing field. If that means raising third-class mail rates to be fair, then so be it," Waters said.

(Continued on page 10)

~~CONFIDENTIAL~~

(Continued from page 9)

Fair rates and proper cost allocation are in our interest because we use all classes of mail."

According to USPS figures, first-class mail contributes 65% of U.S. revenue, 18% of weight and 53% the total number of pieces, while taking blame for 72% of overhead costs. Third-class contributes 22% of U.S. revenue, 39% of total pieces, 41% of weight and is held responsible for 16% of overhead.

Waters called it an "oversimplification" to blame ANPA for seeking higher third-class rates.

"I don't think we screwed ourselves. I don't think that's a fair representation," Waters said of TCMA's attacks. "They are trying to put a black hat on us. Why play that game?"

Waters, noting that saturation mail was hit with slightly higher rates instead of proposed lower rates, countered that TCMA was "putting the best face on a bad situation."

An estimated 75% to 90% of all dailies distribute TMC advertising products, primarily through USPS.

Several newspapers, including the *acramento* (Calif.) *Bee* and *Virginian-Pilot* and *Ledger-Star* in Norfolk, Va., have started their own services to deliver TMC ads. Other papers are joining the move to alternate distribution.

Five Capital Cities/ABC papers were using delivery services in an effort to reduce the number of pieces mailed by more than 80%, compared with two years ago, Meek said.

Nevertheless, postal rate increases have left newspapers scrambling.

"The higher third-class mail rates have had a negative impact economically on TMC programs," said *Arkansas Democrat* president Walter Hussman Jr. He raised TMC prices about 6%, but the hike recouped only a portion of the added costs. He said advertisers preferred USPS delivery because it catches consumers at a time when they open and read their mail.

At the *Los Angeles Times*, which spends \$14 million a year to deliver about 500 million fliers to non-subscribers (77% of its 650 million fliers a year are delivered by mail), executives were "looking at ways to cut costs so as not to pass the costs to advertisers," said Steven Rinek, the *Times*' special sales divisions manager.

Rinek, who testified in favor of the

125-piece discount, said USPS was unprepared to enact the rates when they took effect Feb. 3. Many local post offices lacked the personnel and loading facilities to accept presorted mail, he said, and they were unprepared to audit the discounts.

Because of the problems, the *Times* and other mailers were forced to pay higher rates and deliver mail to sectional distribution centers, Rinek said.

Since the case was in the appeals process, the current postal rate fight was not over. The USPS governors could change rates in advance of the traditional two or three years because of appeals or based on requests for discounts for bar-coded mail.

Alaska governor favors media support center

Alaska Gov. Walter J. Hickel wants to set up a capital "media support center" in Juneau to increase the volume of state government news available to newspapers, radio and television stations, an adviser said.

The program was suggested by volunteer adviser Lew Williams Jr., retired publisher of the *Ketchikan Daily News* and a member of Hickel's transition team. Williams said the proposal would centralize public communications of state agencies by bringing several agency spokesmen under one roof.

It is not an attempt to control information that comes out of the administration, he said. — AP

Two new tab editions

The Gannett Westchester Rockland Newspapers of White Plains, N.Y., has announced the publication of two new tabloid format editions in southern New York.

The *Herald Statesman*, which serves Yonkers, Dobbs Ferry and Hastings-on-Hudson, and the *Daily Argus*, which serves Mount Vernon, have been changed from a full-size broadsheet format to the new format.

Register eyes cuts to news, circulation

Declining profits have prompted the *Des Moines* (Iowa) *Register* to consider reducing news coverage and carrier distribution.

Editor Geneva Overholser, who

considered resigning rather than oversee major cuts, assumed one or two of its five state news bureaus would close.

The paper also was weighing an increase in circulation prices and halting carrier delivery in distant areas of the state.

Overholser said the idea of reducing the paper's regional coverage "hit me with a big emotional punch" but she decided to stay on to help make cuts "in the most most constructive way."

The paper earlier announced it would convert 16 western Iowa counties to weekday mail delivery. It is considering similar changes in eastern Iowa.

No decision on reductions had been made at the Gannett newspaper. — AP

Islamic news service is established

Unhappy with Western reporting of the Persian Gulf war and its aftermath, Muslims in the Minneapolis-St. Paul, Minn., area have set up an Islamic news service based on the reports of their brethren in the Middle East.

Volunteers gather accounts from family and friends overseas and receive Jordanian and Egyptian newspapers by fax. They also monitor shortwave radio from the Middle East and get reports from Baghdad Radio and Jordan Radio.

The information is then translated into English and taped. The reports lasting one to three minutes are available by telephone at no cost. — AP

Grants for newspapers as bedding

Buffalo Valley Livestock Bedding of Union County, Pa., which converts newspapers into bedding for farm cattle, has received a \$60,000 grant from the Pennsylvania Department of Environmental Resources to help pay for the program.

Bob Garrett, director of economic and community development for Union County, said equipment for the project will be leased to the operators of the bedding enterprise.

Newspapers collected from throughout the area will be taken to operators for processing, Garrett said.

Univ Sol opens ca

By Mark Fitzger

Southwest Missouri regents vote March 15 not to appeal federal decision that crime records to the

After two hours of discussion, the Board announced it would turn the decision

Court Judge Russell so-called Buckley Act federal Family Education Privacy Act did not withhold information crime (E&P, March

However, a spokesman of the Department of Education broadly that the appeal the decision.

The DoE spokes rumors that the department Southwest Missouri appeal the decision.

In announcing the appeal, the regents announced to deny vigorous university's previous crime reports to the per was an attempt accidents.

"I can tell you too that this board of regents any of its actions 'cover up' something want the general public because it was impr

Excerpt

The following are excerpting of U.S. District Judge Russell G. Clark in the *Kincaid*:

The fact that the Civil Rights and Privacy Act specifically exempts records for law enforcement

demonstrates that Congress intended to treat criminal incident reports as records . . . Nothing in the history of FERPA or intent to protect enforcement unit records student names or identifiable information

ITU seeks ad boycott of Kansas City dailies

Supporters of the Kansas City, Missouri, unit of the International Typographical Union have sent a letter to 25 major advertisers of the *Kansas City Star* and *Times* requesting that they "cease advertising" in the newspapers.

The letter was signed by the Fair Contract Committee and appeals to advertisers to support the Kansas City ITU in its contract dispute with the Capital Cities Communications-owned newspaper.

The Committee describes itself as being made up of about 150 labor, religious and political leaders from Kansas City and around the nation.

Though the letter only mentions the *Star* by name, Capital Cities' morning *Times* is also involved in the contract dispute, since both papers are put out by the same production department.

The ITU has been without a contract at the Kansas City Star Co. since 1980 and without a wage increase since 1979, the letter said.

"As an advertiser in the *Star* you've watched ad rates climb in the last few years. As a subscriber, you've seen circulation prices soar," the letter said. It contends that while ITU employees have had only one 7% cost-of-living increase since 1978, the rate the company charges its advertisers has gone from \$1.85 to \$3.25 per agate line (75%) and the circulation price has more than dou-

bled from \$4.25 to \$9 per month (112%) for the morning and evening combination."

The letter accuses the company of hiring "a union-busting law firm" to "drag out" contract negotiations and of freezing employee wages "while inflation steadily saps their purchasing power."

The Fair Contract Committee asked advertisers who "do not condone the *Star's* tactics" to stop running ads.

But the committee also added a warning: "If you continue to advertise in the *Star*, then we will be forced to take appropriate and legal action to publicize your relationship with the paper."

Jim Hale, publisher of the *Star* and *Times*, said about four or five advertisers have contacted him so far about the letter. "Nobody indicated they were going to quit advertising," he said.

Hale said he does not plan any response to the letter, but "will continue to go to the bargaining table" with the union.

"It seems like a foolish move to me," he added, saying the letter seemed unwarranted because "there is no strike. I do not believe what they're doing enhances their chances of getting a contract."

Hale noted that there "has never been any problem" with ITU mem-

bers' productivity at the *Star*.

The publisher also pointed out that the Feb. 25 letter was sent soon after a bargaining session ended. He said ITU president Joe Bingel "told me he was going to step things up" in the contract dispute, but commented that local union officials "didn't say anything" to him before the letter was sent.

The dispute with the ITU involves changes in the pension fund proposed by Capital Cities and job security guarantees sought by the union.

Capital Cities wants to replace the ITU pension fund with its own company plan. Josh Steinkman, a spokesman for the union, said Capital Cities' proposal was "actually a better plan" but that the proposal was considered a "way to chip away at the union."

Steinkman said the union was also concerned about the long term retirement security of employees if Capital Cities gained control and someday "cashed out" the existing defined benefit plan and turned it into a defined contribution plan.

The union recently offered to "give in" on the pension issue "provided all the other contract issues were solved," Steinkman said. "The labor attorney called the offer a joke."

He added there has been "no movement on the job security issue."

Postal Commission silent on ANPA complaint

The Postal Rate Commission has yet to tell the American Newspaper Publishers Association if it will grant a hearing over the ANPA's complaint about the use of detached address labels for delivery of third class shared mail.

The ANPA filed its complaint last October.

The association contended that the postcard-like labels, which often carry advertisements on the reverse side and are mailed free, allow third class mailer "to send two pieces of mail for the price of one."

ANPA asked the Rate Commission to "investigate and prohibit the U.S. Postal Service" from allowing the free mailing of the labels.

"We don't know yet what they're going to do about the detached label issue," commented Robert Burke, ANPA vice president for industrial relations and public affairs. "They could agree with us, disagree or fold it into the rate case."

In a related development, ANPA

submitted to the Postal Service a number of questions concerning the handling of detached labels. The Rate Commission has ordered the Postal Service to respond.

ANPA has received the responses and is evaluating them, said Terry Maguire, vice president and general counsel.

The rate case on the whole range of proposed postal increases began in mid-February. ANPA is scheduled to submit its written proposals for new third class rates in the rate case on March 12. The third class mailing groups will also be filing their proposals on that date.

"This is the first time we have specifically proposed rates that are going to be fairer overall, especially to first class mailers, newspapers, non-profit mailers and small retailers," said Maguire. "It's going to be quite a substantial document."

The association is opposed to the general structure of third class rates as too low and alleges that first class

rates are "unfairly" being used to subsidize other mail categories.

ANPA's position on the detached labels has touched off a feud with Advo Systems Inc, a leading shared mail firm which is the primary user of the detached labels.

Advo accused the ANPA of making "substantive misstatements" about its use of the labels and said ANPA wants the Postal Commission "to give newspapers a protected competitive position by shackling mailers with restrictive rules and surcharges."

Advo also said ANPA's position on detached labels would "hamper" the Postal Service from operating efficiently.

Advo contended that "virtually all daily newspapers" have implemented their own shared mail programs for preprinted inserts and stated newspapers are seeking "to eliminate shared mail as a competitive force."

(Continued on page 29)

EDITOR & PUBLISHER for March 10, 1984

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Grand Total.....	2,810,968
WILMINGTON, DEL.	
Reporter Dispatch-S.....	1,115,319
Grand Total.....	2,513,784
WORCESTER, MASS.	
Journal-S.....	857,276
Sentinel-e.....	1,121,302
Grand Total.....	1,978,578

WILMINGTON, DEL.	
News-Journal-m.e.....	1,595,016
News-Journal-S.....	1,003,494
Grand Total.....	2,598,510
WORCESTER, MASS.	
Gazette-e.....	1,331,753
Telegram-m.....	1,352,886
Telegram-S.....	1,259,170
Grand Total.....	3,943,809

WILMINGTON, DEL.	
Reporter Dispatch-S.....	1,115,319
Grand Total.....	2,513,784
WORCESTER, MASS.	
Journal-S.....	857,276
Sentinel-e.....	1,121,302
Grand Total.....	1,978,578

CONFIDENTIAL

shop talk

(Continued from page 44)

4. Peacins, the white ducks, dominate the pond but Mallards and a Pomeranian also inhabit it.

5. The main office is divided by partitions (partitions). These examples are taken from the Colly Follies, a tool I used as advisor to sharpen writing skills in the newsroom.

As explained in an article published the Spring 1982 issue of *Journalism Educator*, I patterned the Follies after a dispatch sent every weekday over the United Press International message wire.

I worked for the wire service when Don Reed, recently retired managing editor, was a general news editor in Chicago. He would critique the writing from his bureaus in his "Midwest Notes."

Reed's efforts helped improve our writing skills. The format of the "Follies" begins with a quote from the late press critic, A.J. Liebling: "There is a healthy American newspaper tradition of not taking yourself seriously. It is the

story you must take that way."

After this quote, I follow with examples of good and poor leads. When a lead and story are exceedingly poor, I will reprint it in the "Follies" with my comments in parentheses.

I generally make no comment on well-written leads, simply listing them under the heading "good leads."

I also give weekly awards: Quote of the week... "There's a willingness to want to put in output to the administration"

OSU official as quoted by an O'Collegian reporter.

Baffler of the Week... "He said the most significant reason for the delay in completion of the Student Union was because of the kitchen equipment subcontractor to complete their portion of the work on schedule."

Blooper of the Week...

A headline for a story about a deceased man named Marshall: "Oklahoma City marshall found dead in ditch."

Finally, acknowledging good work is as essential as critiquing poor writing. I use a Unipresser term from Reed's Midwest Notes-kudos to praise reporters for superior work.

Teaching students the fundamentals of grammar, usage, sentence structure and spelling is tedious for a journalism professor and boring for many students. Keeping their attention requires all the tricks in the professor's trade: asking many questions, illustrating rules and, occasionally, divine inspiration.

For example, in a recent lecture, I wrote on the chalkboard this sentence fragment:

However you see the difficulty.

To show how important punctuation can be, I inserted a comma after "However" and changed it from a fragment to a complete sentence.

Such efforts do not go unrewarded. The result seems to be a renewed interest by student reporters in writing, somewhat rare in this age of technology.

My colleagues are as interested at I am in student's writing skills, and their classroom efforts are as responsible as mine for the quality of our program.

As journalism educators, we know that satellites will continue to beam stories worldwide and high-speed printers to hum in every computerized newsroom, but the word-at least for us — will remain as exciting as the microchip.

Postal Commission

(Continued from page 16)

that (they) can return to the comfortable preprint monopoly of the last decade.

The U.S. Postal Service and the Association of General Merchandise Chains, which includes K-mart, Woolworth's and McCrory's among its members, supported Advo's stand. The Third Class Mail Association and the Direct Marketing Association also backed Advo.

Supporting ANPA's position are the Association of Private Postal Systems and the National Association of Selective Delivery.

Postal Service, in filings its proposed the Rate Commission

not to hear ANPA's complaint. It said the complaint was "a manifestation of a competitive struggle which is extrinsic to the Postal Service. One side to this competitive struggle perceives advantage to itself through burdening the mailers as well as the Postal Service with unnecessary, less efficient, and more costly procedures."

UPI

(Continued from page 27)

office. All the news and photo desks are arranged in a single, open, "L"-shaped room on the eighth floor. The all-electronic news desks occupy 24%

more space than they did in New York, and the editors are now located in the same room, allowing easier communications among the different desks. The UPI editing systems are linked by land lines to its main computer system in Dallas, Texas.

Also on the eighth floor is space that will eventually house an expanded Newspictures operation with two "digital darkrooms" for automated picture editing and routing and a sophisticated new graphics creation and transmission center.

UPI made the move from New York to Washington to reduce the costs of rent, utilities and maintenance and to unify tasks which had formerly been duplicated in the New York and Washington operations.

~~CONFIDENTIAL~~

Newspapers call new postal rate hikes 'appropriate'

But third-class mailers denounced them as 'disastrous' and vow to seek ways of delivering third-class mail without the Postal Service

By George Garneau

The Postal Rate Commission, acknowledging the proliferation and cost of "junk" mail, has recommended third-class bulk rates jump an average of 25%.

Third-class mailers, who compete with newspapers for advertising, would be hardest hit by the independent Postal Rate Commission's recommendations to raise mail rates overall an average of 17.5%.

Commissioners were gentlest on letter writers, urging that the price of a first-class stamp rise 13.6% to 25¢. Second-class rates, affecting newspapers and other publications, fared about average, getting 18% higher rates.

New postal rates, last raised in February 1985, are expected to be approved by Postal Service governors and put into effect by the board of governors, possibly by April. The increases were announced March 4, closing nearly 10 months of wrangling recorded on 41,000 pages of documents.

The rate hikes are designed to offset an estimated \$5.1-billion 1989 deficit, based on current rates, and to provide \$38.8 billion next year.

Newspapers praised the decision as "appropriate," while third-class mailers denounced it as "disastrous" and vowed to seek ways of delivering third-class mail without the Postal Service.

Newspapers using second-class postage for in-county mail will pay between 8% and 9% more under new rates.

In the immensely complex field of postal rates, the recommendation is regarded as a victory for newspapers, mainly because it hits mail advertisers harder. Publications using regular second-class will pay 18% more on average, but to some zones they could pay 13% to 24% more. Also, increases for publications using second-class mail will fall more heavily on advertising than on editorial.

Jerry Cerasale, a PRC legal adviser, told *E&P* the recommendations were based, in part, on new



George Wilson
ANPA chairman
'New rates are equitable'

information showing that third-class mail costs more in carrier delivery than had been documented previously. He described the increases as "a refinement of costing."

Cerasale said commissioners felt a third-class bulk increase over 25% would "severely affect users."

stream for third class and its targeting of individual postal customers means the average homeowner is finding his mailbox is a repository for unsolicited advertising messages rather than a source of business and personal communication."

The shift, she stated, raises "a serious concern" about the public perception of the Postal Service and its mission.

The American Newspaper Publishers Association chairman, George Wilson, commented in a statement, "Third-class rates have risen gently over the past 18 years while first-class mail rates have risen steeply. We agree . . . that the Postal Service and the Commission should continue to strive for a more equitable distribution of costs between first-class and third-class mail."

"I think it's the facts of the matter catching up to the rates," said Robert Brinkmann, attorney for the National Newspaper Association. "Third class used to be very cheap."

"We are very pleased about the in-county portion of the rate case, which was our major concern," Brinkmann said, "and we are disappointed by what happened to regular second-class rates."

In the immensely complex field of postal rates, the recommendation is regarded as a victory for newspapers, mainly because it hits mail advertisers harder.

Commission vice chairman Patti Birge Tyson said in her concurring opinion the commission's reluctance to raise third-class rates further prevented it from dealing with "inequities between first- and third-class that are most disturbing to me."

Noting third-class mail made up 29% of postal volume but was accountable for only 14% of overhead costs, compared with first-class mail's 53% of volume and 65% share of overhead, she said: "The combination of an increasing share of the mail

Gene Del Polito, executive director of the Third Class Mail Association, said its 386 companies, heavy third-class users, are preparing to ask for rule changes that would allow private companies to deliver third-class addressed mail.

"We want to take the monopoly of delivery of third-class mail . . . We want ourselves or somebody else to deliver our mail," Del Polito said.

The "enormously high" rate hikes proved the Postal Service is "incapable" (Continued on page 44)

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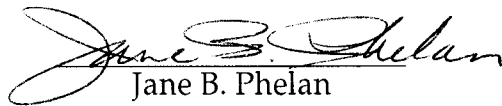
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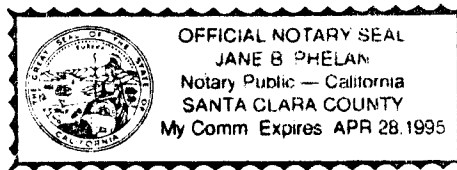
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This is Exhibit D to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

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COURTS

Arbitration of libel cases explored

Three University of Iowa professors have started interviewing parties in libel cases for participation in a nationwide experiment to resolve libel suits outside the courts and without financial awards.

It's all part of the school's two-year Libel Research Project, which, supported by a \$158,000 grant from the John and Mary R. Markle Foundation, seeks to redress grievances by arbitration in 30 or more cases that otherwise would be litigated seriously [presstime, April 1986, p. 38].

In a three-year study, the trio of professors—two in journalism, one in law—reviewed hundreds of cases between 1974 and

1984, interviewing possible plaintiffs, media defendants and lawyers.

The professors concluded that libel litigation is often unsatisfactory to both plaintiffs and defendants because it is costly and time-consuming, and frequently does not address a plaintiff's key concern: the alleged falsity of a published or broadcast statement.

"There had been lots of speculation about how reform of libel law—to focus on the accuracy issue—would work," said Gilbert Cranberg, professor of journalism at Iowa and one of the three involved in the research. "We felt the best way to resolve some of these questions is to try it out."

Parties may choose to go to a settlement conference, but cases that have not been settled will proceed to an arbitration hearing, ultimately resolving the cases within two or three months, Cranberg said.

The American Arbitration Association will administer the program, providing neutral individuals to hear the disputes and to issue a finding on the questions of reputational harm and the truth or falsity of challenged statements.

The most likely remedy is some form of publication of the arbitrator's finding, but the outcome is open, Cranberg said.

The Iowa professors will select the cases from those brought to their attention by the parties involved, libel insurers or other sources.

To take part in the program, both parties must sign a submission agreement to abide by the decision of the arbitrator—waiving the right to litigation and appeal—and to forgo monetary damages. □

LEGISLATION

ANPA opposes decree change

ANPA opposes a Justice Department recommendation to remove entirely the information-services restriction imposed in the AT&T consent decree, a Senate panel was told April 30.

"There have been no changes in the market that would justify this sweeping reversal of policy by the department, just three years after divestiture," said Robert M. Johnson, then vice chairman and now chairman of the ANPA Telecommunications Committee.

Testifying before the Judiciary Committee's Subcommittee on Antitrust, Monopolies and Business Rights, Johnson reiterated ANPA's position that owners of monopoly telephone transmission facilities should not be allowed to own or control the information that flows over those facilities. Johnson

is president and publisher of Newsday, Long Island, N.Y.

Subsequently, on May 22, ANPA filed comments with U.S. District Judge Harold H. Greene restating its opposition to lifting the information-services restriction.

It added, however, that the BOCs can help facilitate the developing electronic publishing industry by making improvements in local exchange services that might include some "low-level" or "mid-level" information services. It asked Greene to consider requests for waivers or clarification of the restriction on a case-by-case basis where the BOC "can show that the service does not involve any control over or interest in information content, is subject to effective safeguards, and is necessary to improve network service" [presstime, April 1987, p. 45]. □

ANPA to file friend-of-court briefs

ANPA will file friend-of-the-court briefs in two cases the U.S. Supreme Court has accepted for review and one in which review is sought:

• *Hustler Magazine v. Falwell*, in which Hustler magazine publisher Larry Flynt is appealing a \$200,000 jury award to evangelist Jerry Falwell for "intentional infliction of emotional distress." ANPA will join Richmond (Va.) Newspapers and The Free Lance-Star Publishing Co. of Fredericksburg, Va. [presstime, April 1987, p. 40] in supporting Flynt's case, which the Supreme Court has accepted for review.

• *City of Lakewood v. Plain Dealer Publishing Co.*, in which the court will hear an appeal filed by Lakewood, Ohio, concerning its newsrack ordinance.

A lower court ruling had struck down part of the city's ordinance governing permits, design and insurance for newsracks but had upheld Lakewood's ban on newsracks in residentially zoned areas.

• *Lee Enterprises v. Sible*, in which the media company is seeking reversal of a libel decision by the Montana Supreme Court. That court reversed a trial jury's unanimous finding that the Lee-owned Missoulian of Missoula had not displayed actual malice in reporting a sheriff's investigation into alleged theft by a deputy. □

LEGISLATIVE NOTES

• ANPA will study the possibility of seeking a **newsprint exemption** from a proposed duty of up to 1 percent on all imported goods.

The import tax is contained in trade legislation (S 490) approved May 7 by Senate Finance Committee.

• Under a bill approved May 15 by the Senate

Committee on Labor and Human Resources, businesses would have to give up to 180 days' **advance notice of a planned shutdown or layoff** if 50 or more workers are affected.

S 538 requires notice be given to employee representatives, the state dislocated-worker unit and the chief local elected official. A companion bill is before a House committee.

• A bill that would require the federal government to identify and notify workers at risk of **occupational disease** passed the House Education and Labor Committee May 19.

HR 162 would establish a risk assessment board within the Department of Health and Human Services to identify categories of workers at risk so they could be notified.

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Electronic strategies discussed

A group of newspaper executives with experience in electronic publishing has recommended that ANPA form a new committee to develop "possible electronic information strategies for newspapers in markets of all sizes."

The group suggested the committee be modeled after the SAT-FAX project, which helped to develop a system for transmitting national advertising copy via satellite.

It also recommended that ANPA expand its ongoing talks with the regional Bell operating companies to include discussion of such things as electronic Yellow Pages, which the Association has contended should not be provided by the BOCs.

Electronic Yellow Pages have been the subject of previous discussions, noted ANPA Senior Vice President W. Terry Maguire, but to date no newspaper-telephone company agreement on the issue has emerged. "Any additional talks on this subject would, of course, recognize the anti-competitive risks that would be posed by

BOCs' publishing advertising and other information over their own telephone lines," he said. "Only if these risks could be minimized or eliminated would any new agree-

ments or understandings in the public policy arena be possible."

The recommendations grew out of the Jan. 14-15 "brainstorming" session conducted by the ANPA Telecommunications Committee [presstime, Dec. 1987, p. 38]. Forty newspaper executives attended the meeting in Arlington, Va.

The purpose of the session was to discuss what newspapers had learned from their past electronic information ventures and what might lie ahead in light of U.S. District Judge Harold H. Greene's decision to allow the BOCs to provide "gateways" for information services. (See story, p. 10.)

The group's two recommendations were forwarded to the ANPA Board of Directors for its consideration by Robert M. Johnson, chairman of the ANPA Telecommunications Committee, and Uzal H. Martz Jr., chairman of the ANPA Diversity Principle Task Force. Johnson is publisher, president and chief executive officer of Newsday, Long Island, N.Y. Martz is president and publisher of the Pottsville (Pa.) Republican, and a member of the ANPA Board.

The "brainstorming" group proposed that the recommended new committee also

document the BOCs' market response to Greene's decision and represent newspaper interests in those ventures. It also said the committee should catalog the electronic information products and services now being marketed by newspapers and others.

In its second recommendation, for talks between ANPA and the BOCs, the group suggested the ANPA Board authorize these negotiations "be expanded to include electronic Yellow Pages, electronic messaging and other issues to achieve a more stable regulatory environment that would permit newspapers and others to make long-term business commitments."

Kathleen Criner, ANPA director/telecommunications affairs, said the group concluded that regulatory certainty was essential for the electronic information industry to develop, but that Greene's opinion, offering the BOCs only a limited role in the information-services field, would not provide the BOCs adequate "incentive" to go into the market. "As a consequence," she said, "we are trying to look for ways, consistent with past policy positions, to try to find more areas in which we can agree with the BOCs in order to provide that stability." □

ANPA spars with administration over BOCs' role

Over the protests of ANPA, President Reagan's Economic Policy Council reportedly has endorsed a proposal that legislation be introduced in Congress that would allow the regional Bell operating companies to offer information services.

Word of the council's endorsement was received by the ANPA Legal and Government Affairs Department from sources close to the administration, although the White House would not confirm the action to presstime.

The proposal originated with the Commerce Department's National Telecommunications and Information Administration, which also has asked the Federal Communications Commission to authorize the BOCs to provide information services [presstime, Jan. 1987, p. 49].

Currently, the BOCs are barred from the information services field under terms of the 1982 AT&T consent decree.

ANPA Assistant General Counsel Claudia M. James said prospects for legislation to pass this year are "slim." She cited the congressional elections, other legislative priorities and the fact that some legislators are

"quite comfortable" with U.S. District Judge Harold H. Greene's decision to allow the BOCs to provide "gateways" for information services but not information content.

In a Jan. 6 letter to Treasury Secretary James A. Baker III, chairman of the EPC, ANPA President Jerry W. Friedheim said the circumstances that justified imposing the

Mobile radio manual

The ANPA Telecommunications Department has published a booklet designed for newspapers contemplating the use of mobile radios.

It includes information on such things as newspaper applications of the radios, the availability of frequencies, equipment options, licensing procedures, and sources of information and equipment.

One copy will be sent to each ANPA-member newspaper. Additional single copies may be obtained at no cost, multiple copies are \$3 each. Non-members may purchase copies for \$10 each. Contact the ANPA Telecommunications Department at The Newspaper Center in Reston, Va. □

information-services restrictions have not changed. The BOCs "still control local telephone facilities," he said. "They have the same incentives and ability to act anti-competitively against competing information services providers as they did at divestiture."

"Sound antitrust and First Amendment considerations dictate that monopoly telephone companies should not own or control the information carried over their bottleneck facilities."

In other related developments:

- ANPA Jan. 14 filed a statement with the FCC opposing the NTIA request that the commission authorize the BOCs to provide information services. However, the Association said it would support commission action to encourage the BOCs to provide the basic services necessary to operate the "gateways" proposed by Judge Greene.

- The FCC conditionally approved plans by Pacific Bell and Nevada Bell to provide voice mail services and by Bell Atlantic to provide a voice message storage service. The AT&T consent decree restricting the AT&T consent decree restricting [presstime, Sept. 1987, p. 44]. 1988

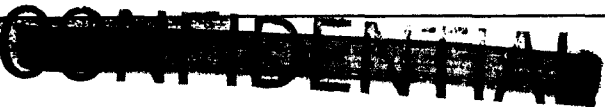
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ANPA cites BOC concerns

ANPA has expressed concern to U.S. District Judge Harold H. Greene that the regional Bell operating companies could "inadvertently" become information publishers under Greene's recent order giving the BOCs a limited role in providing electronic information services.

Among other things, Greene's March 7 order allows the BOCs to offer database storage and electronic messaging capabilities [presstime, April 1988, p. 53]. ANPA urged Greene to be aware of the possibility that the BOCs might seek to combine those two functions into services that involve

BOC manipulation of information content.

Thus, the Association said, if the BOCs were to provide consumers with access to stored databases via electronic messages, "the companies would be engaged in prohibited electronic publishing activities." At ANPA's urging, Greene has prohibited the BOCs from entering electronic publishing.

In a separate March 25 filing, ANPA asked Greene to clarify or amend his order to ensure that the BOCs cannot use their billing arrangements with electronic-information service providers to acquire a financial interest in those services. □

Committee to work on circulation, classifieds projects

The ANPA Telecommunications Committee will work with two other newspaper-business organizations on telecommunications projects involving circulation and classified advertising.

The committee will work with the International Circulation Managers Association to increase understanding of the ways in which telecommunications can improve newspaper circulation operations.

The committee will work with the Association of Newspaper Classified Advertising Managers to make newspapers aware of ANCAM's technical guidelines for "remote

entry" of classified ads via personal computer. The guidelines will be released after approval by the ANCAM Board of Directors at the organization's annual conference June 26-30 in Hilton Head, S.C.

At its March 17-18 meeting in Washington, D.C., the ANPA committee also voted to recommend to the ANPA Board that the Association assist the International Press Telecommunications Council in developing international standards for digital transmission of photographs and endorse a reorganization plan proposed by the IPTC leadership. □

Service options workshop set at ANPA/TEC

Managing telecommunications systems at newspapers and the various service options available are topics of an ANPA workshop June 10-11 at the Georgia World Congress Center in Atlanta. Discussion will range from "voice mail" to telemarketing.

"Connections III: Putting It All Together" will end the day ANPA/TEC '88 begins, and workshop participants will be offered a private tour of the exhibit floor for a closer

look at state-of-the-art telecommunications systems.

Registration is \$350 for ANPA-member newspaper executives signing up before April 30, and \$425 for those signing up later. The amount includes the \$45 registration fee for ANPA/TEC '88. For information, contact the ANPA Telecommunications Department at The Newspaper Center, Reston, Va.; (703) 648-1138. □

TELECOMMUNICATIONS NOTES

• Trintex, the joint venture between IBM and Sears, Roebuck and Co., plans to make its "Prodigy" videotex service available by this fall in at least three cities: Atlanta, Hartford, and San Francisco. Unlimited access to service via personal computer will cost \$9.95 a month. Information, grocery shopping, travel services

and banking are among the offerings. Information suppliers include USA Today and Dow Jones & Co. [presstime, Jan. 1987, p. 44].

Brian R. Ek, communications manager, said Prodigy is not an electronic newspaper. "It is intended to be a utility that will help people accomplish tasks quicker, easier

and more conveniently."

• The Federal Communications Commission has decided to scrap its plan to charge "access fees" for connection to local telephone networks to companies providing "enhanced" telephone service. ANPA had opposed the plan [presstime, Dec. 1987, p. 38].

Newspapers expect new rates will bring more ad preprints

Newspaper executives are continuing to analyze the impact of new postal rates that took effect April 3.

Many believe they may lure some additional preprinted-advertising volume from direct mailers because of the 21-34-percent rise in third-class rates. And publishers of small dailies and weeklies are rejoicing over an unexpectedly small price increase for second-class deliveries within the county of publication.

"We expect to pick up more inserts," said Bill Allbrant, insert sales manager of The Orange County (Calif.) Register.

Webster Hawkins, publisher of the Osawatomie (Kan.) Graphic and president of the National Newspaper Association, also said he expects that "in our part of the country, newspapers are going to carry more preprints."

On the other hand, higher third-class rates will have an adverse impact on newspapers using that mail class to deliver total-market-coverage publications. Some executives said they are shifting from third-class to carrier delivery to avoid having to pay a much steeper postal bill. Allbrant, for example, said the Register will phase in carrier delivery for his newspaper's 390,000 TMC pieces that currently are mailed to 48 ZIP codes.

Some other newspapers said they plan to keep their TMC publications in the mail but will be forced to pass along all or part of the higher postage rates to advertisers.

On the rate increase of just 3.2 percent imposed for second-class, in-country deliveries [presstime, April 1988, p. 52], NNA's Hawkins said it is "a major boon to community newspapers." Smaller weeklies and dailies, many of which do not have their own carrier force, had expected an 8-9-percent increase, as had been recommended by the Postal Rate Commission.

USPS spokeswoman Jeanne O'Neill said the commission based its recommendations on the assumption that Congress would not provide "revenue forgone" funding for the current fiscal year 1988. But Congress, in fact, allocate money—\$517 million. The governors took that amount into consideration and therefore were able to keep the increase small, O'Neill said.

Also in the wake of the new rates, master General Anthony Frank denounced the Third Class Mail Association's request that the Postal Service initiate a rule-making to remove the postal monopoly as it applies to third-class mail.

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ANPA urges attention to safeguards in new FCC rules review

More sophisticated, national telecommunications network will enable diverse sources of information to reach the public, but safeguards are needed to foster such diversity, according to ANPA.

That diversity can develop, ANPA said, only if all competitors are playing on a level field; in other words, checks are needed to ensure that AT&T and the Bell regionals do not have unfair advantages in areas like access to the network and subscriber lists.

ANPA offered supporting arguments and facts for this position in a 25-page filing Nov. 13 with the Federal Communications Commission. The FCC is conducting a full-scale review of rules affecting telecommunications common carriers in a proceeding dubbed Computer III.

Saying it favors increasing "efficiencies and capabilities" in the telecommunications network, ANPA said it "would, therefore, encourage the commission to facilitate such improvements with appropriate safeguards."

The Association urged the FCC to clarify "that nothing in this proceeding should be viewed as a relaxation" of the consent decree that has governed the breakup of AT&T. Pressure has been growing to loosen restraints on the Bell regional companies and their former par-

ent [presstime, Nov. 1985, p. 46].

Among other restrictions, the decree indefinitely bars the seven Bell regionals from providing information services; it also bans AT&T from electronic publishing until 1989 whenever that company's transmission lines would be involved. The bans were imposed in large part because of concerns that the companies could use their monopoly transmission facilities to inhibit competition in the electronic information market.

In its comments to the FCC, ANPA noted that AT&T's dominant position as a long-distance carrier and the regionals' monopoly status as the provider of local telephone exchange services are intact.

Should the decree's restrictions be removed, the FCC's "public interest responsibilities will require it to consider the potential adverse consequences" of the companies' participation in the electronic information publishing industry, ANPA said.

To ensure competition in the telecommunications industry, strong safeguards should be in place before removing rules that require AT&T and the Bell companies to use separate subsidiaries when they diversify, ANPA said.

Separately, two media companies—Gannett Co. and Lee Enterprises Inc.—have filed comments on Computer III. □

Newspaper firms join phone company in videotex

Subsidiaries of two companies in the newspaper business will participate in Pacific Bell's test of a videotex service using a new technology that converts one telephone line into seven communications channels.

During the field test, known as Project Victoria, 200 participants will use personal computers to receive information sent over what the telephone company calls its "seven-in-one phone line system."

Of the seven channels, two transmit voice messages and five carry data, according to Pacific Bell, which is owned by the Bell regional company Pacific Telesis. Patents are pending on the system.

The six-month test in Danville, Calif., is scheduled to start in February.

Pacific Bell announced that information providers will include Chronicle Information Services—the public access

videotex arm of Chronicle Publishing Co. of San Francisco—and Dow Jones Information Services, a subsidiary of Dow Jones & Co.

In a separate development, another company in the newspaper business has agreed to serve as information provider for Covidea, an electronic-services partnership that includes AT&T.

The New York Times Co. said it will provide material from its syndicated wire services and consumer publications to New York Pulse, an electronic information service that Covidea will offer this spring to homes and offices in New York.

The Covidea partnership, which was announced in June [presstime, July 1985, p. 64], was recently formed, a Covidea spokesman said. Besides AT&T, it consists of Time Inc. and Chemical Bank of New York City. Covidea is now providing home banking services in three states. □

Another free paper loses rate battle

For the second time in as many months, a free newspaper has lost a challenge to rules prohibiting it from using in-county, second-class rates.

The Postal Rate Commission said the paid-subscriber rule, requiring that more than half of all copies of a publication be purchased to qualify for the rates, allows the public to determine which periodicals "warrant the second-class status."

Tri-Parish Journal Inc. of LaPlace, La., argued that its free-circulation River Parishes Sun is a legitimate newspaper and should be entitled to low mailing rates like any newspaper, regardless of circulation price [presstime, Nov. 1985, p. 44]. □

Veto could result in higher rates

Some second-class postal rates could go up much more than the 40-60-percent increase that was scheduled for Jan. 1.

President Reagan Nov. 15 vetoed an appropriations bill including the "revenue forgone" subsidy for in-county newspapers. Congress was expected to respond by reducing the level of proposed subsidy [presstime, Nov. 1985, p. 45]. Current rates will not change at least until Dec. 14, when stopgap funding expires. □

ANPA asks dismissal of Advo complaint

After discussing a possible settlement in Advo-System Inc.'s formal complaint against newspapers' second-class total-market-coverage practices, ANPA has abandoned those talks.

Instead, it has asked the Postal Rate Commission to dismiss Advo's case, saying the complaint is groundless.

In a brief filed Nov. 15 with the Postal Rate Commission, ANPA said existing regulations, if enforced, "generously protect" the integrity of second-class mail and are sufficient to preclude any abuses [presstime, Sept. 1985, p. 38]. □

Blair 'restructuring'

John Blair & Co., parent firm of Advo-System Inc., said it may sell its printing and coupon marketing companies. It said it will not sell Advo. The "major restructuring" is intended to restore Blair's profitability [presstime, Oct. 1985, p. 6]. □

Print power: The ANPA lobby

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For more than a decade the powerful American Newspaper Publishers Association has lobbied policymakers to keep telephone companies from becoming information services companies. Here is a look at the ANPA's structure, approach and positions

MARIBETH HARPER, Special Correspondent

Since that fateful day in 1984 when seven Baby Bells rose from the ashes of divestiture, battles have raged in Washington over whether the Bell regional holding companies should be permitted to offer information services.

The RHCs have argued with some success on Capitol Hill and at the Federal Communications Commission for the right to use their networks to distribute their own information services. However, the enhanced service providers have won concessions in the courtroom of U.S. District Judge Harold Greene, author of the 1984 Consent Decree. For instance, in his landmark March 7 order on information services, Greene upheld the key ESP position that the RHCs should continue to be prohibited from supplying the content of the information carried over the public network.

Throughout this protracted political process, one potential ESP has been a leading voice for the fledgling industry—the American Newspaper Publishers Association.

ANPA represents 1400 independent daily newspapers whose publishers and editors have been monitoring the activities of the telephone industry since the olden days when breaking stories were “phoned in” to anxiously waiting copy editors. The association's ability to shape policies governing the telephone industry dates back to the early 1970s, when considerable resources were spent reviewing tariffs and exploring alternatives to the landline telephone network. As a result of these efforts, most wire service news is currently distributed via satellite and ANPA has become less con-

cerned with telephone company tariff regulation.

In the early 1980s, ANPA faced its first serious information services issue when AT&T asked for permission to become an electronic publisher. ANPA succeeded in influencing Greene to impose a ban on AT&T, prohibiting the interexchange carrier from participating in electronic publishing until 1989.

Today, ANPA's focus has shifted slightly to the post-divestiture RHCs and their role as information service providers. The issue is an emotionally



charged one for newspaper publishers. Members of ANPA could become very profitable ESPs by providing, over telephone wires, electronic versions of their newspapers to customers. Yet they also could face stiff competition if RHCs are allowed to offer the same service.

On the other hand, ANPA members are reticent about becoming information service providers themselves. “There's an uneasiness and uncertainty among the members,” says ANPA Senior Vice President and General Counsel Terry Maguire.

Earlier in this decade, large papers such as Knight Ridder and Times Mirror dabbled in electronic publishing/videotex with disastrous consequences. As a result, says Maguire, “there is a tendency on the part of a lot of our members to believe that [electronic publishing] can't be done.”

Although newspaper publishers are not leaping into the videotex market, they are not yet ready to unleash the RHCs on this potentially lucrative marketplace. The association has, therefore, devoted hundreds of thousands of dollars and considerable staff energies to promulgating the position that telephone companies, as owners of the conduit, must not influence the content of information distributed over those facilities.

Structure, Approach

ANPA laid the groundwork for the development of its policy before divestiture when the issue of AT&T and electronic publishing arose. At that time, according to ANPA legal consultant Dick Wiley, ANPA expended great effort to instill the “diversity principle” [the separation of conduit from content] in the minds of policymakers. They were successful. Greene has woven the principle into every post-divestiture ruling he has made on the RHC/information services issue.

ANPA has a 22-person board of directors, and about 80 of its members are involved in the telecommunications and government affairs committees. Task forces of additional members are formed as needed to deal with specific telecommunications issues.

On staff, ANPA has Maguire as general counsel, the public policy

continued on page 28

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on less than
In construction
can mean
increase your
It can help
response to
You may find
it's becoming
cians to
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Print Power *continued*

department with two full-time staff members and a telecommunications group of three professionals that supports the policy group and follows industry developments.

The majority of ANPA's financial resources are devoted to research and development for the newspaper industry. However, lobbying on telecommunications issues currently draws "something in excess of \$100,000 per year" from the budget, according to Maguire.

Among the officials ANPA frequently lobbies are members of Congress on Capitol Hill, the FCC commissioners and staff, and staff at the Department of Justice, the National Telecommunications and Information Administration and the White House.

Let's Do Lunch?

When lobbying, the association approaches each group of government officials differently. Unlike other telephone trade associations, "our members never come up en masse to the Hill," says Maguire. "We've never done it and never will." Instead, he says, staff and members occasionally sit down to lunch with a member of Congress. "Capitol Hill tends to be so busy that often going to lunch is the only time you can have uninterrupted time to talk to someone," Maguire adds.

At the FCC or the DOJ "very little of the 'taking to lunch' business goes on because it's either prohibited or frowned upon," says Maguire. "We usually end up talking on the telephone informally or sitting down with them in their offices for an official presentation."

The association occasionally hires outside consultants, ranging from experts in telecommunications law, to economists and opinion research firms. When it came to arguing before Greene, for example, ANPA brought in Wiley,

Although newspaper publishers are not leaping into the videotex market, they are not yet ready to unleash the RHCs. . . .

Rein & Fielding, a prominent Washington law firm, to make its case. Richard Wiley was FCC chairman from 1972 to 1977.

Political Clout

No matter what lobbying tactics ANPA uses, industry observers and policymakers generally recognize the association's ability to mold telecommunications legislation to suit its membership.

"ANPA has more clout than one would expect using most common measures," according to a senior aid at the House telecommunications subcommittee who asked not to be identified. "They bring people in to express opinions that have a very local perspective and they articulate a position in a very clear way."

Unlike other telecommunications groups, ANPA does not "run the parties or have fundraising mechanisms," he says. Because they do not raise funds, ANPA "has an aura that they are aboveboard and don't play games," according to the aide, who adds, "They get a lot of respect among members."

Ward White, vice president of government relations at the United States Telephone Association, is less of a fan. "They wrap themselves in the First Amendment, they use big name lobbyists, association employees, names like Katherine Graham [publisher of the Washington Post], and editors from the congressional districts who visit their congressmen," he says. "If you have a publisher of a paper calling a member of Congress, they generally listen to what is said. The congressmen don't necessarily buy everything but [the publishers] certainly do get their ear."

Although ANPA's emphasis in recent months has been on information services, the association

has a long list of other telecommunications issues that it feels must be addressed. One of the most pressing is the scheduled lifting of the ban on electronic publishing placed by Greene on AT&T at divestiture. Greene will review the issue in mid-1989.

ANPA's position is not yet formalized, but Maguire says that the association continues to believe that AT&T has a virtual monopoly in the long-distance industry, despite the inroads made by AT&T's two largest competitors, MCI Communications Corp. and US Sprint Communications Co. For this reason, ANPA believes that the ban on electronic publishing should remain until the marketplace is truly competitive.

Another development ANPA will monitor is the presidential election this November. "We're going to have a new president one way or another," says Maguire. "If it's Mr. Bush, he's going to want to take a look at what the present administration has said and consider whether any of it should be changed. And if it's Mr. Dukakis, he'll probably want to change a great deal of things. So we'll be watching," he says.

Although the emphasis on these and other telecommunications issues is likely to ebb and flow, Maguire predicts that the debate on RHC participation in information services will consume ANPA members far into the future.

Open Networks

Specifically, ANPA is still concerned about Greene's treatment of the RHCs' message storage capabilities in his March 7 decision. The newspaper group feels that it is "not entirely clear whether the judge intended to allow the widespread storage of data by telephone companies," says Maguire.

"We think that storage of data constitutes an entry into an aspect of the provision of information content," he says, adding that it is

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On the r Network A parably eff ANPA feel at the FCC well-inten structural move the p petitive act example, sa nex Corp. gateway s Vt., recent tential inf viders but to the m showed up embarrass asked to s Maguire re

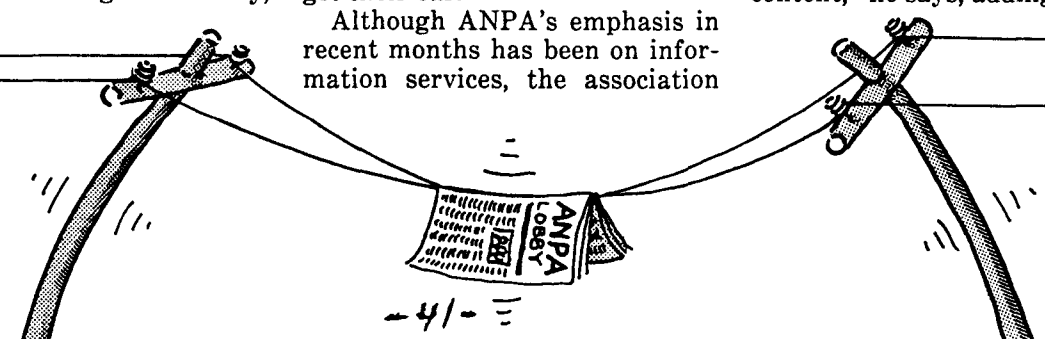
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an issue ANPA will be tracking, as the ramifications of Greene's vision are more fully realized in the next six to 12 months.

On the related subjects of Open Network Architecture and comparably efficient interconnection, ANPA feels that while "everyone at the FCC and in the industry are well-intentioned," these non-structural safeguards do not remove the potential for anti-competitive activity by the RHCs. For example, says Maguire, when Nynex Corp. was introducing a new gateway service in Burlington, Vt., recently, it invited some potential information service providers but not the local newspaper to the meeting. "Our member showed up and, after an initial embarrassment, the paper was asked to stay for the meeting," Maguire reports.

ANPA's only recourse is to continue to participate in the FCC's ONA proceeding, says Maguire. "We will seek fine tunings and in some cases major tunings of [the non-structural safeguards] but we

are still very concerned about whether access to the telephone medium will be as free and open as we want it to be," he says.

In the meantime, ANPA members have begun enthusiastically exploring the new information services territory—as providers and consumers. Publishers interested in providing videotex service gathered in January to review the earlier videotex trials and to map out new strategies. The association's Washington staff has been negotiating with RHCs to ensure that they understand how newspapers could best use the gateway opportunities. And in an effort to enhance their core businesses as customers of information services, newspaper editors have been meeting informally to review current offerings and discuss possible business applications.

Maguire says he hopes that future judicial and legislative intervention on the RHCs' role in information services will not be necessary. "But," he adds, "I hope harder that [regulators] will be pre-

ANPA's only recourse is to continue to participate in the FCC's ONA proceeding. . . . In the meantime, ANPA members have begun enthusiastically exploring the new information services territory—as providers and consumers.

pared to step in if and when that becomes necessary."

ANPA's greatest challenge, according to Maguire, is to prepare for the future.

"We'll look at the new gateway services the RHCs are introducing to see, first, how they are being operated from a public policy standpoint, and secondly, what kind of opportunity or threat they will be to newspapers. If [the new service] is a fair competitive threat, we'll just have to figure out how to beat the competition. It's something we have a lot of experience doing." ■

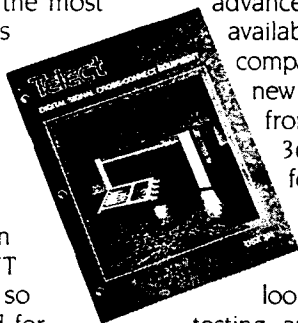
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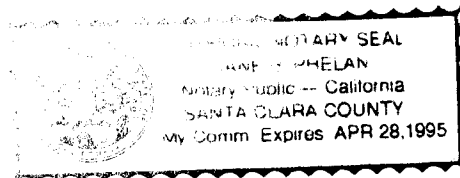
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This is Exhibit E to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California

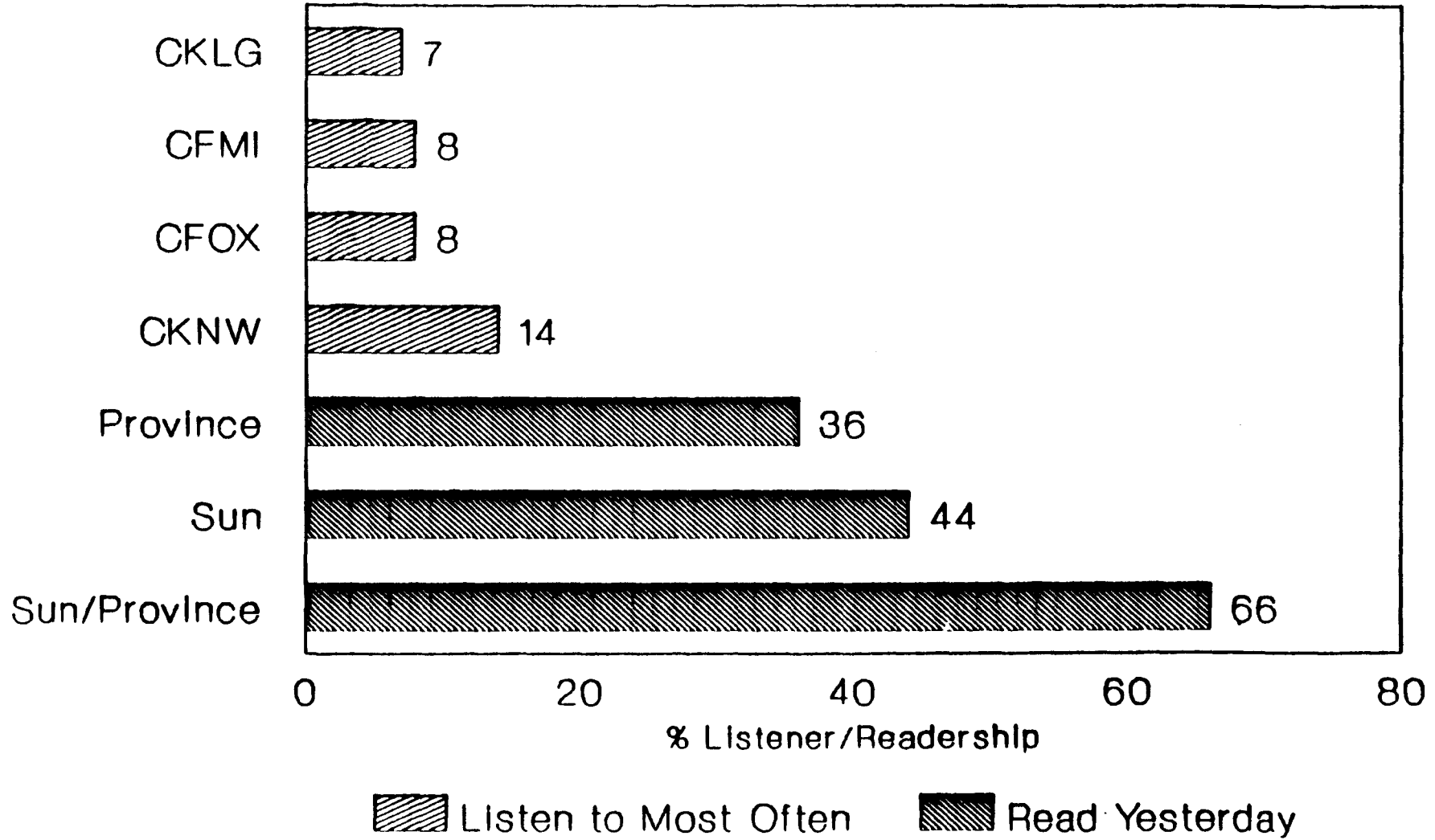


James N. Rosse
August 16, 1991

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TOP 4 RADIO STATIONS VS NEWSPAPER READERSHIP ADULTS 18+ IN VANCOUVER C.M.A.

-44-

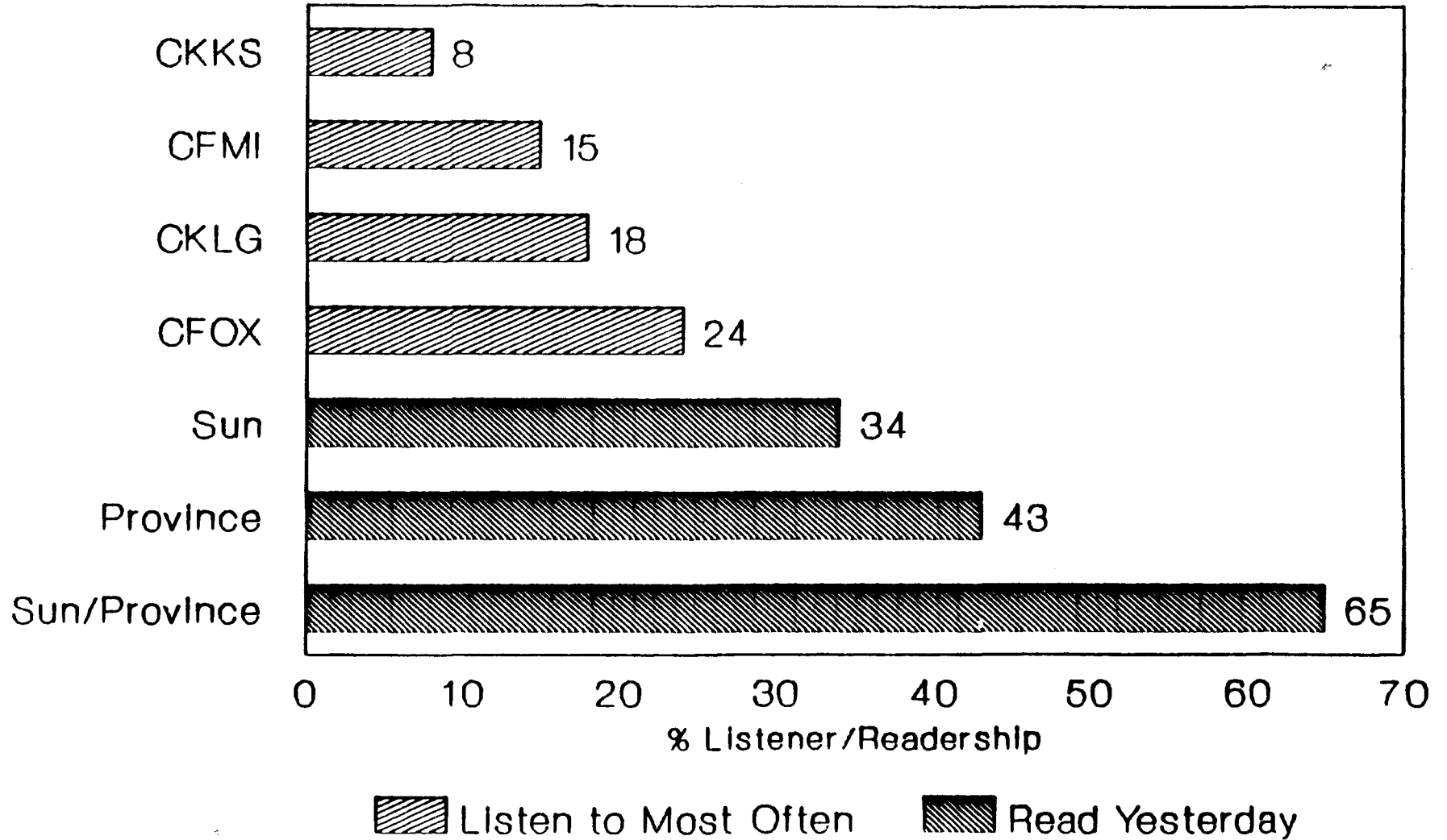


Source: Marktrend Marketing Research
March 1988

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TOP 4 RAL. J STATIONS VS NEWSPAPER READERSHIP ADULTS 18-24 IN VANCOUVER C.M.A.

-57-

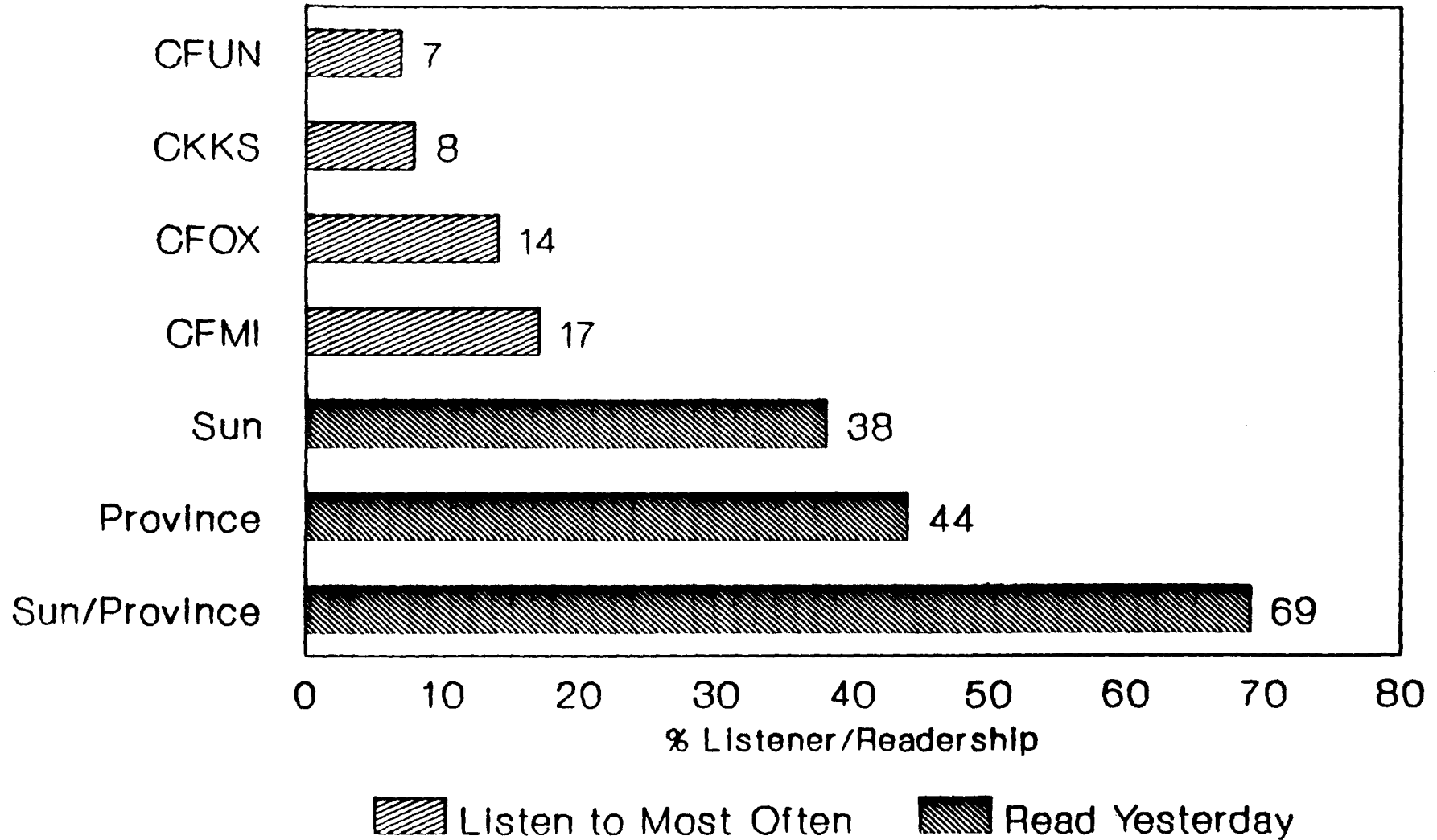


Source: Marktrend Marketing Research
March 1988

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TOP 10 RADIO STATIONS
VS NEWSPAPER READERSHIP
ADULTS 25-34 IN VANCOUVER C.M.A.

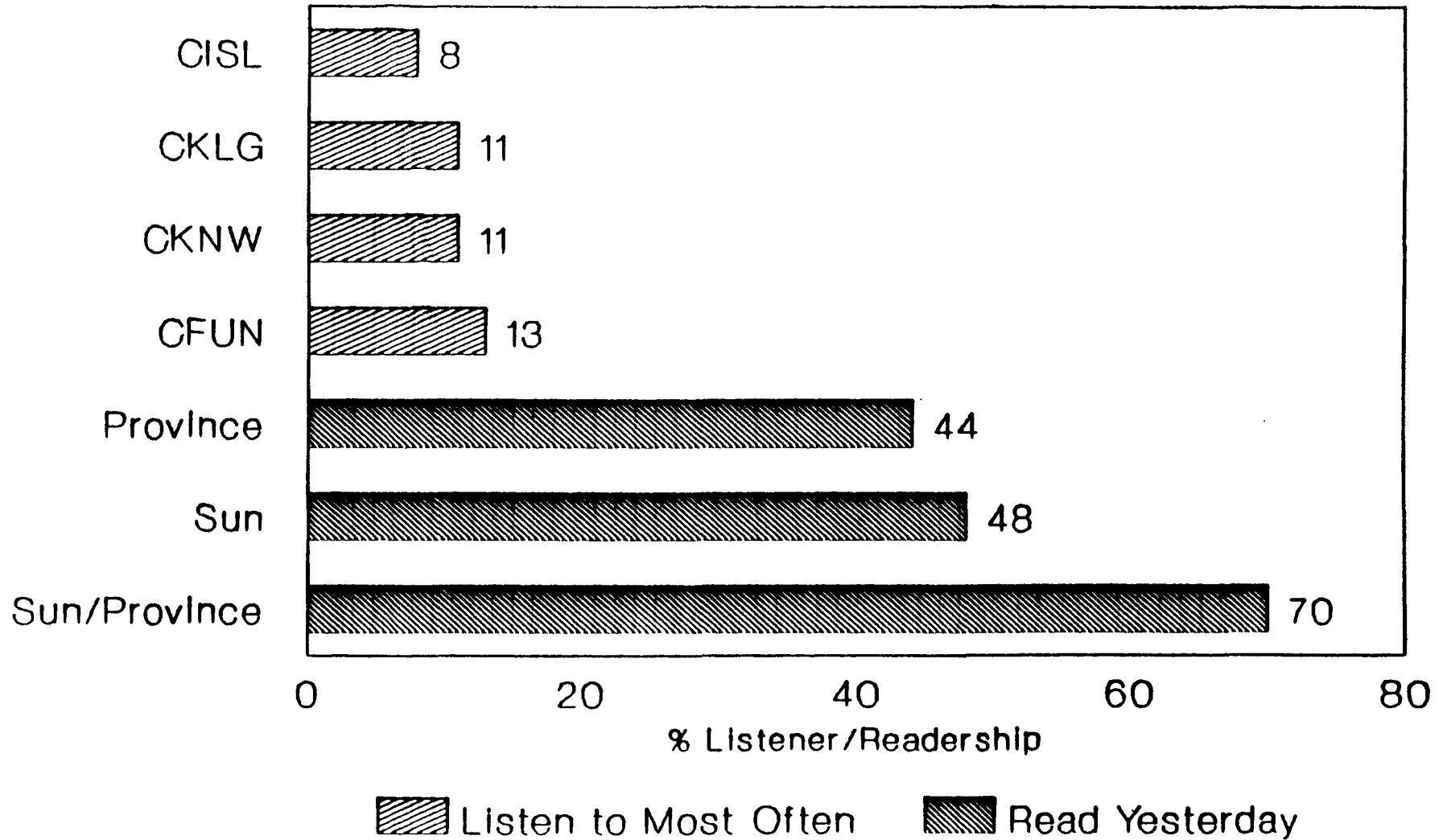
-74-



Source: Marktrend Marketing Research
March 1988

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TOP 4 RALCO STATIONS
VS NEWSPAPER READERSHIP
ADULTS 35-44 IN VANCOUVER C.M.A.

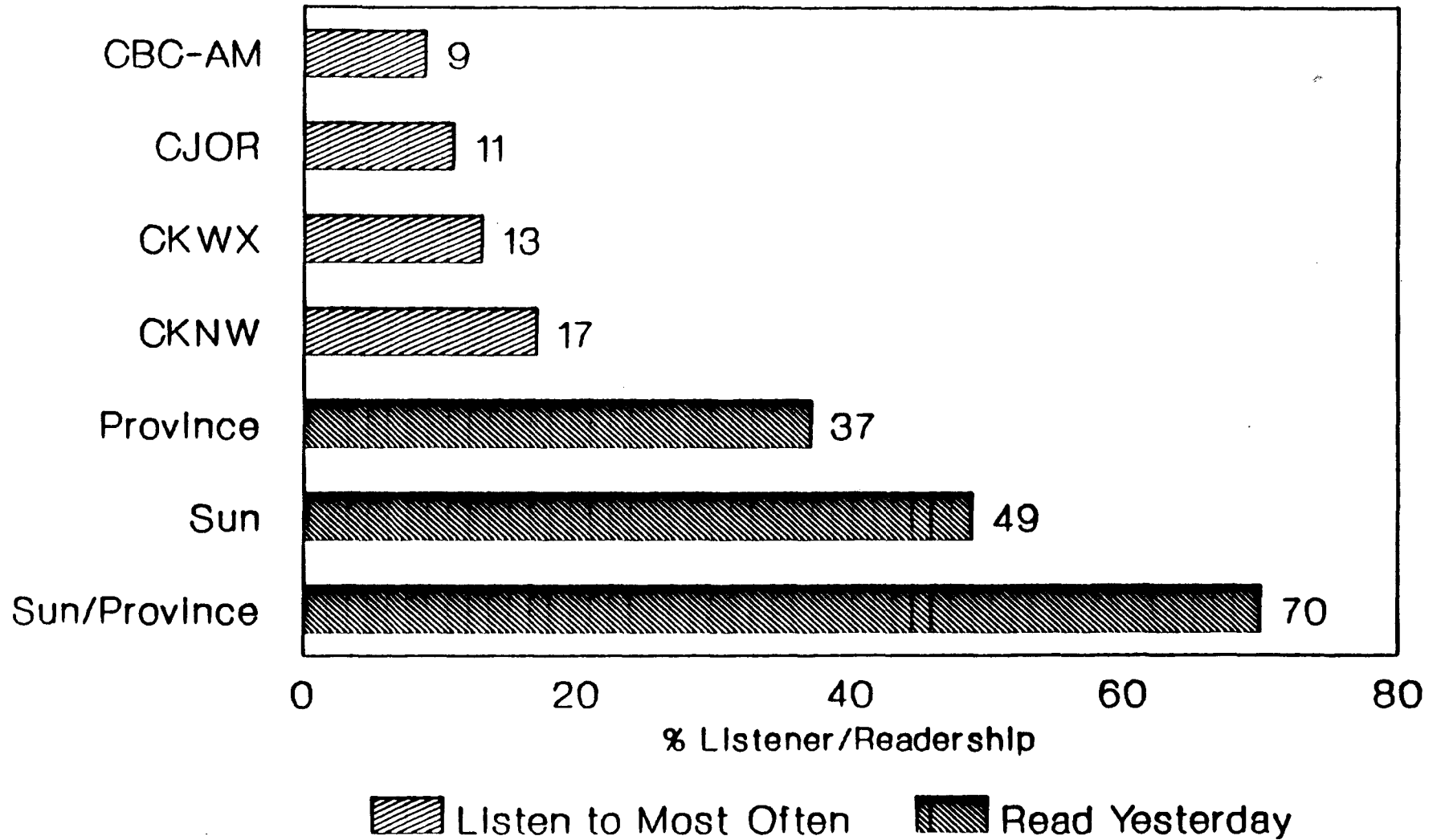


Source: Marktrend Marketing Research
March 1988

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TOP 4 RADIO STATIONS VS NEWSPAPER READERSHIP ADULTS 45-54 IN VANCOUVER C.M.A.

- 84 -

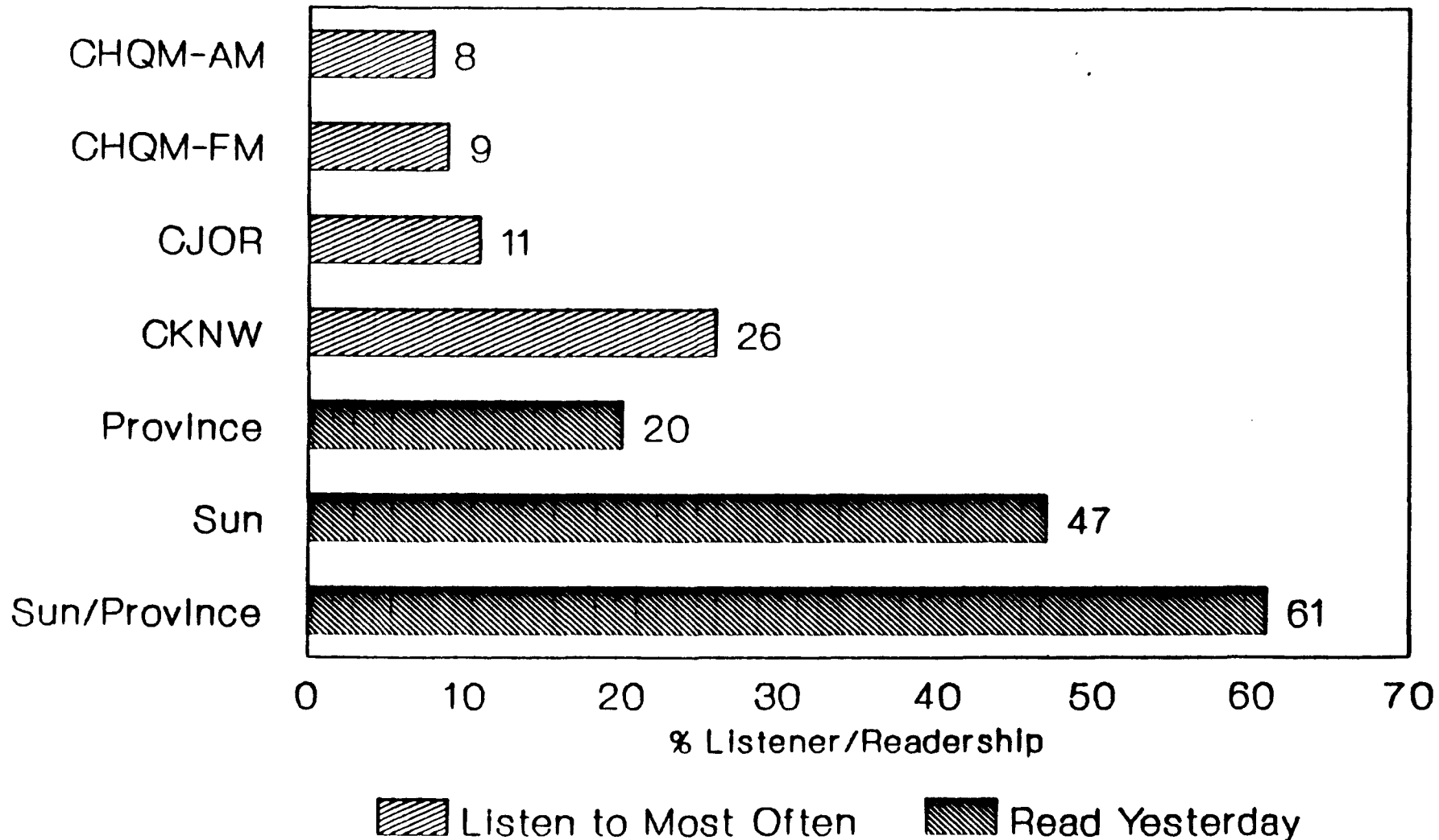


Source: Marktrend Marketing Research
March 1988



TOP 4 RADIO STATIONS VS NEWSPAPER READERSHIP ADULTS 55+ IN VANCOUVER C.M.A.

-54-

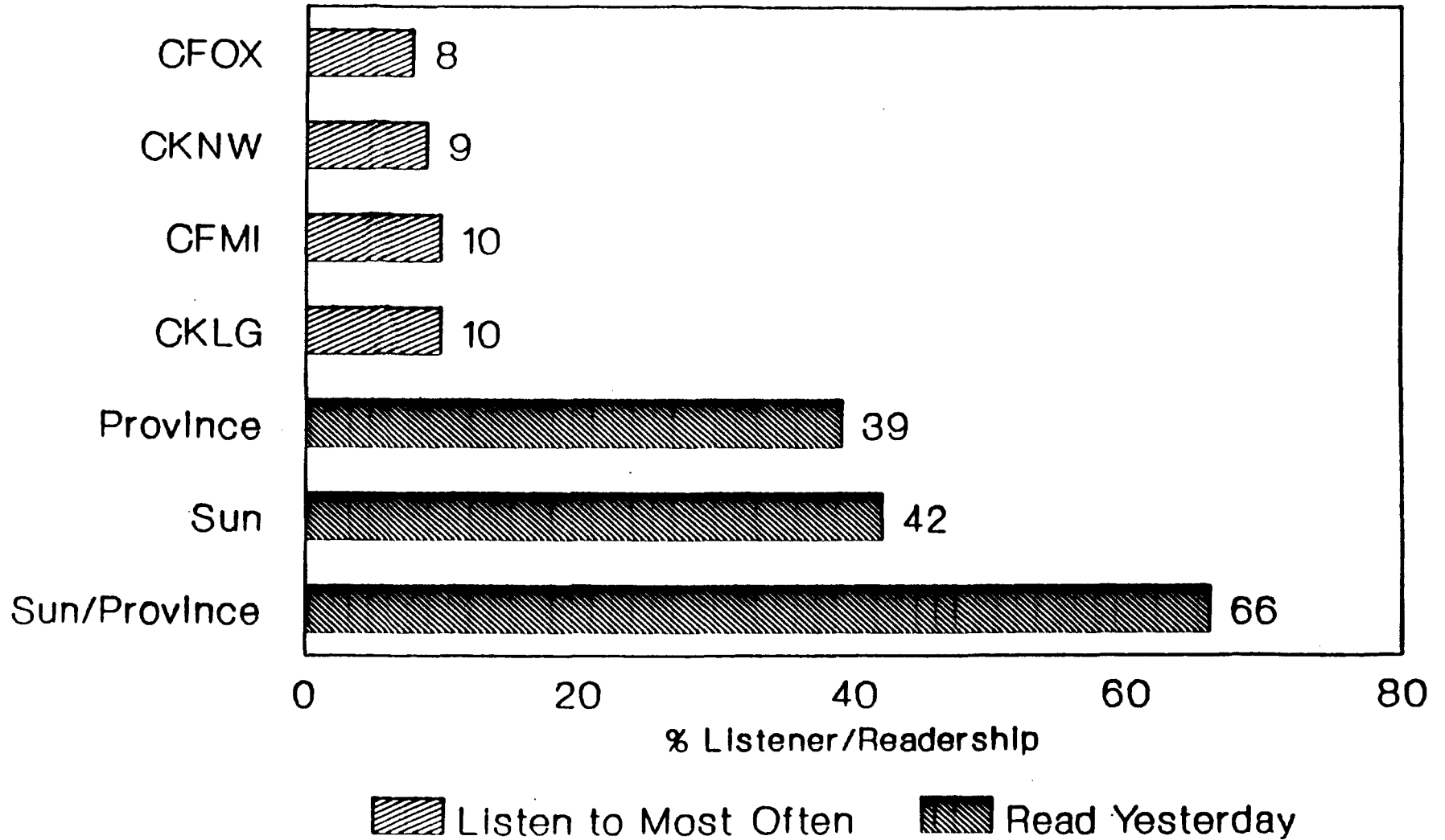


Source: Marktrend Marketing Research
March 1988

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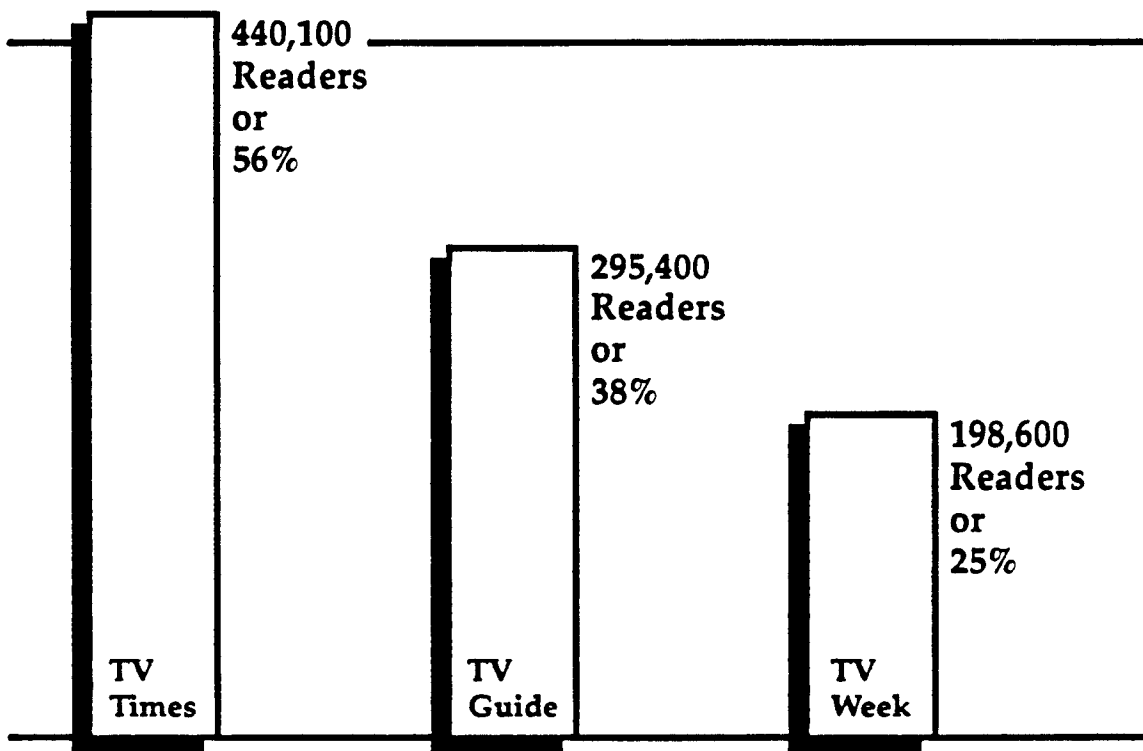
TOP 4 RADIO STATIONS VS NEWSPAPER READERSHIP WORKING WOMEN IN VANCOUVER C.M.A.

-50-



Source: Marktrend Marketing Research
March 1988

56% of TV Magazine Readers Turn to TV Times



Base: 783,200 metro Vancouver residents age 18 years or older who read TV Times, TV Guide or TV Week during the past 7 days. SOURCE: NADbank 90

TV Times Maintains Market Dominance

Average issue readership

TV Times



TV Guide



TV Week



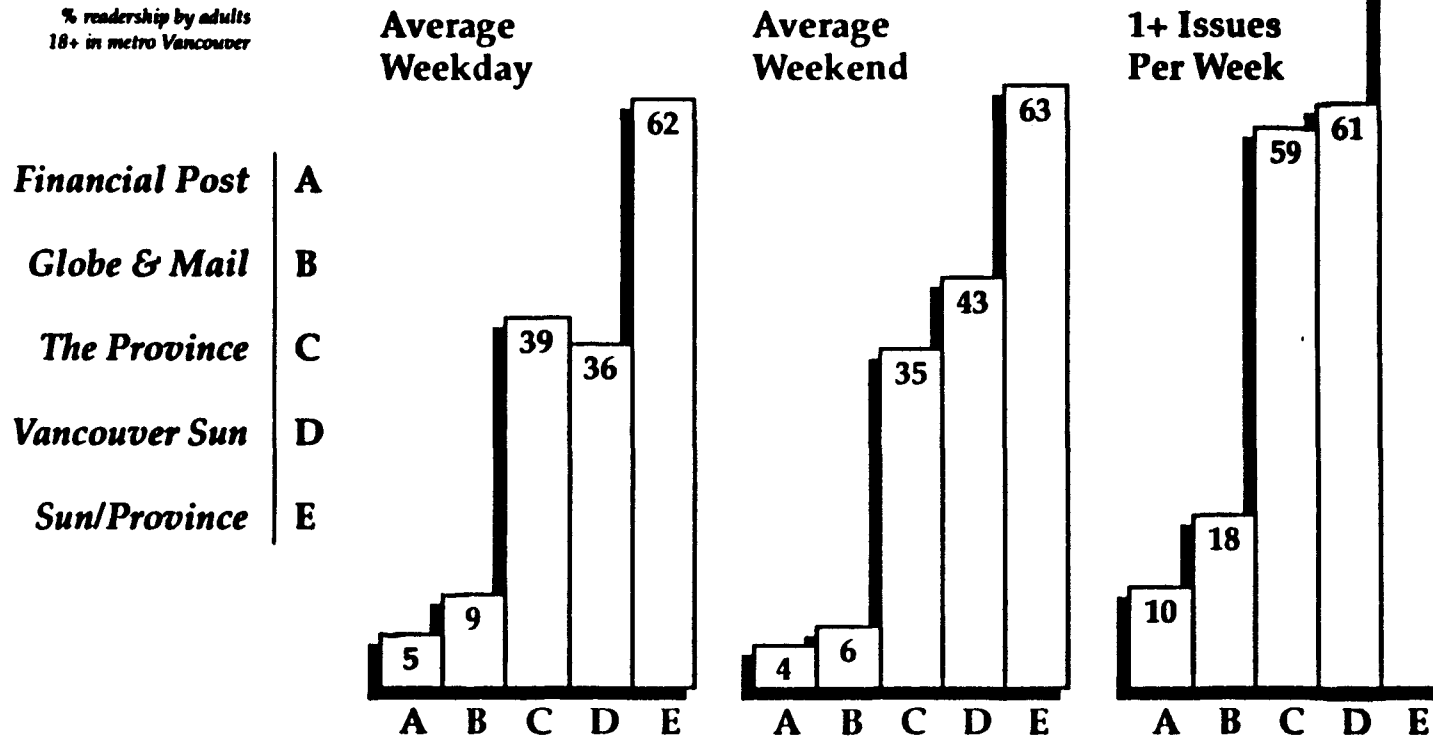
In addition, 122,200 or 25% of TV Guide and TV Week's readers are already reading TV Times.

Base: Metro Vancouver residents age 18 years or older
SOURCE: NADbank 90

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The Vancouver Sun and Province Dominate Vancouver

% readership by adults
18+ in metro Vancouver



SOURCE: NADbank 90

1531

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Your customers watch television . . . but will they see your commercials?

Fragmentation of the television market in metro Vancouver makes it increasingly difficult to reach your customers with broadcast messages.

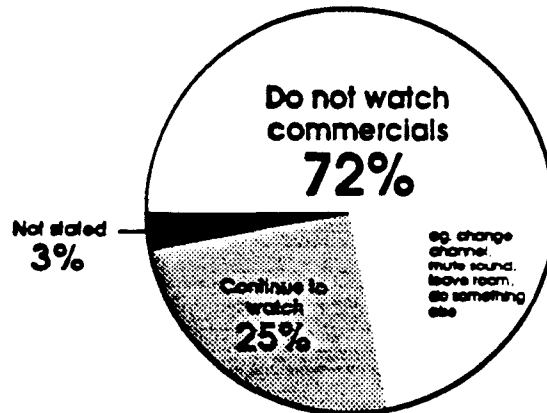
TV STATIONS BROADCASTING IN METRO VANCOUVER

CBC
KOMO
KING
CHEK
KIRO
BCTV
KCTS
CKVU
KSTW
KVOS
KCPQ
CBUFT
WTVS
KNOWLEDGE
TSN
ARTS & ENTERTAINMENT
SUPERCHANNEL
FAMILY CHANNEL
YTV
CBC NEWSWORLD
VISION TV
WEATHER NOW
MUCH MUSIC
FINANCIAL & NEWS
NASHVILLE NETWORK
COUNTRY MUSIC
HEADLINE NEWS
CABLE NEWS NETWORK
COMMUNITY TV
CATHAY

Before purchasing TV air time, consider these facts:

- 79% of metro Vancouver households subscribe to cable.
- 30 stations are competing for viewer attention.
- 62% of households own a VCR—further fragmenting the market.
- The increase in VCR ownership is matched by the decrease in television commercial viewing (NADbank 90 vs. NADbank 88).
- With widespread ownership of remote controls, the average household "zaps" TV channels once every 3 minutes and 42 seconds.*
- Nearly 3 out of every 4 metro Vancouver adults state they *always or frequently* choose not to watch television commercials.

Behaviour During TV Commercials
Always/Frequently . . .



- In contrast, The Vancouver Sun and The Province are read by 62% or 749,000 Vancouver adults every day.
- And regular advertising in Vancouver's dailies will enable you to reach your customers while achieving your frequency, gross rating point and gross impression goals.

Base: Metro Vancouver residents age 18+
Sources: *Marketing Magazine, October 1990; remainder of data from NADbank 90.

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Daily Newspapers: Your Best Media Choice

Listed below are six reasons why daily newspapers are the best media choice.

1. Quick response time.

Selling your goods faster is the name of the game. You can prepare and place an ad in the daily newspaper faster than any other medium.

3. Variety of readers.

Newspapers reach a variety of readers with different sections, positions and locations.

5. Newspapers offer comparison shopping.

The daily newspaper provides shoppers with information on style, price, size and colour for the entire market, saving shoppers time and money.

2. Newspapers are for all seasons.

You can advertise your hot items on the day when best results can be expected. Your advertising can also reflect changes in the weather or local events.

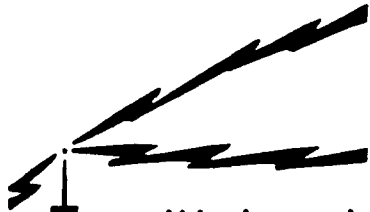
4. Creative options.

Your ad can be in colour or black and white, have drawings or photographs with virtually an unlimited selection of type faces.

6. Ads that fit your budget.

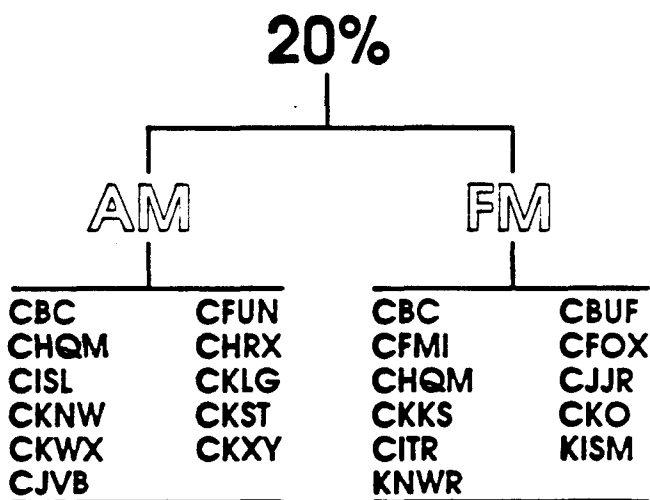
Newspapers offer a multitude of sizes, shapes and colours to fit your advertising budget.

1-25-



It's tough to reach your customers with radio when less than 20% of adults are listening* and more than 20 stations are competing for their attention.

METRO VANCOUVER RADIO STATIONS



Reach 749,000 or 62% of Metro Vancouver adults every day and all day by advertising in the Vancouver Sun and Province.

Sources: NADbank 90; INAME News
* Average 1/4 hour listenership

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Are you reaching enough of the right people with radio?

% efficiency of Vancouver radio stations and the Vancouver Sun/Province in reaching your customers

How to Read: CBC-AM was listened to yesterday, at some point, by 121,800 or 11% of adults, 16% of men, 7% of women, 20% of adults earning \$75,000 or more, etc.

LISTENED TO OR READ YESTERDAY	CBC AM	CBC FM	CFMI FM	CFOX FM	CFUN AM	CHQM FM	CHRX AM	CISL AM	CJJR FM	CKKS FM	CKLG AM	CKNW AM	CKWX AM	U.S. STNS	DID NOT LISTEN	SUN/ PROV
FORMAT:																
AOR - Adult Oriented Rock	Info	Arts/Info	AOR	AOR	AC	Easy Listening	Classic Rock	Oldies	Contemp. Country	AC	Top 40	News/Talk	Country			
AC - Adult Contemporary																
Total Adults 18+	121,800	77,200	122,600	164,200	66,600	59,000	59,200	49,000	49,800	64,000	64,000	190,800	79,800	57,600	184,600	749,000
% of Total Adults	11%	7%	11%	15%	6%	6%	6%	5%	5%	6%	6%	18%	7%	5%	17%	62%
Gender																
Men	16	10	14	19	5	5	7	5	4	5	6	18	7	5	17	67
Women	7	4	10	12	7	6	4	4	5	7	6	18	8	5	18	58
Age																
18 - 24	0	3	23	40	3	3	13	3	3	7	18	2	2	13	13	69
25 - 34	6	5	23	27	9	1	11	6	4	10	6	8	1	8	18	56
35 - 49	17	12	9	12	10	5	3	7	5	7	6	16	6	4	14	66
50 - 64	21	8	2	1	4	12	0	5	9	3	2	28	17	4	17	69
65 or more	8	5	0	0	0	8	1	0	2	0	0	38	13	0	26	53
Household Income																
Less than \$30,000	9	4	6	9	3	7	4	4	4	3	5	23	11	3	22	53
\$30,000 - \$49,999	12	10	14	17	7	5	6	4	5	7	7	17	7	5	15	66
\$50,000 - \$74,999	11	6	13	20	9	4	7	5	6	8	7	12	6	9	15	64
\$75,000 or more	20	12	19	20	6	5	7	6	4	8	6	18	4	7	14	76
Occupation																
Mgt/Owner/Prof/Exec	20	11	15	16	7	8	4	8	4	8	3	18	4	7	13	68
Other White Collar	15	8	15	23	9	5	6	5	4	8	9	14	4	8	12	63
Blue Collar	6	5	13	21	7	2	11	6	9	7	10	7	8	3	19	64
Working Women	9	5	13	17	10	6	5	6	6	11	9	10	4	6	16	61
Education																
Not High School Grad	3	2	2	8	5	5	4	3	7	2	2	22	21	3	24	56
High School Grad	5	4	14	18	4	3	8	5	5	6	8	19	7	4	19	63
Some Post Secondary	13	7	13	18	7	7	6	5	5	7	9	16	3	7	16	63
University Grad or more	25	15	14	14	8	7	3	4	2	8	2	16	4	7	12	67
Marital Status																
Single/Widow/Div/Sep	9	6	13	19	5	5	7	5	4	7	7	14	6	6	18	59
Married/Living Together	15	8	10	11	8	6	4	4	6	5	5	23	9	4	16	67
Tenure																
Own Home	14	9	11	12	7	5	5	5	4	6	6	22	8	5	16	64
Rent Home	9	5	12	20	5	6	7	4	5	7	5	13	7	6	19	60

157

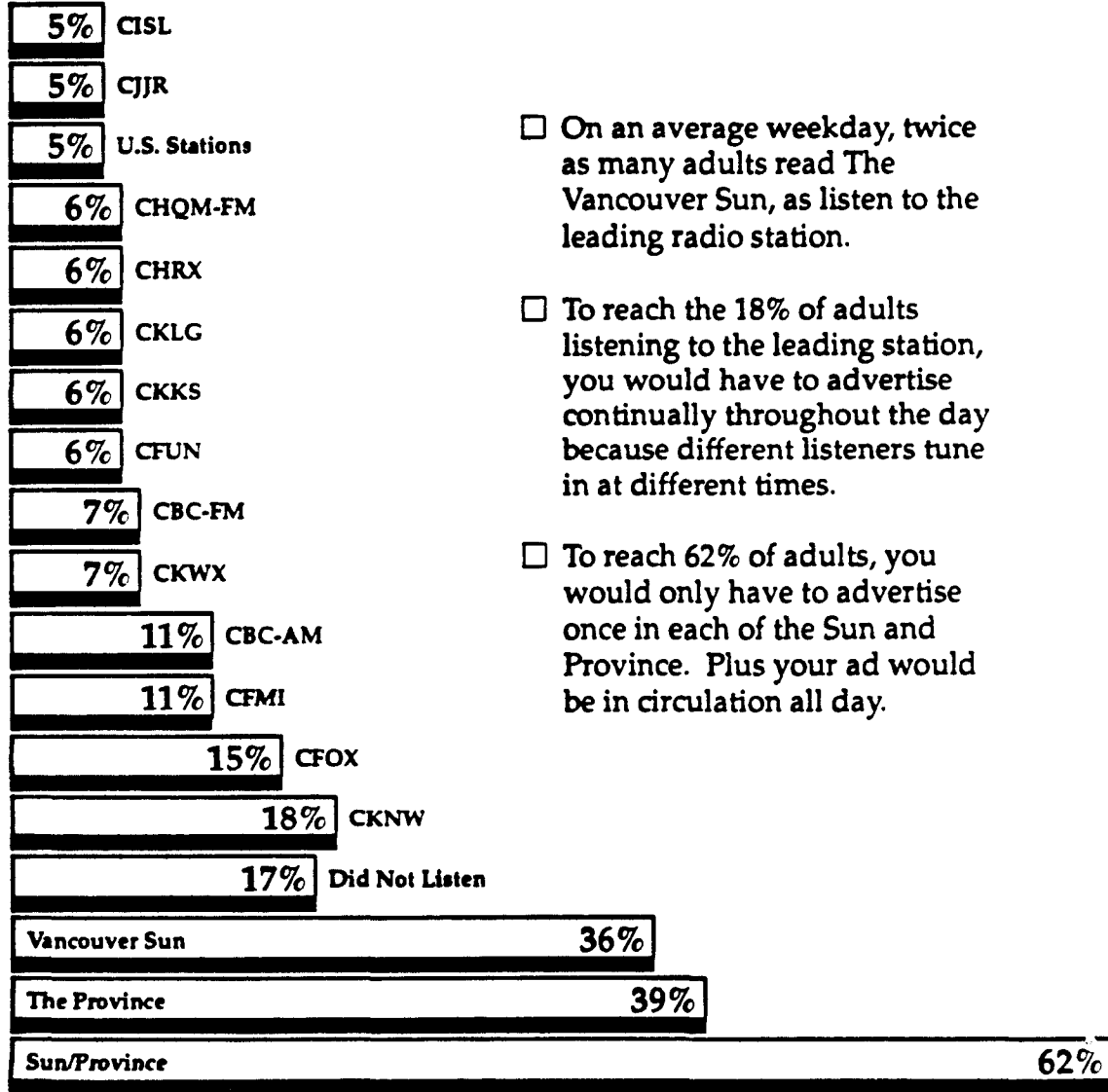
Source: NADbank '90. Base: Metro Vancouver residents age 18+.

Fact: To reach the 18% of adults listening to the leading radio station, you would have to advertise continually throughout the day, because different listeners tune in at different times.

Fact: To reach 62% of adults and up to 76% of any target group, you would only have to advertise once in each of The Sun and Province. Plus your ad is accessible all day, regardless of when your customers choose to read.

Are your customers getting the message with radio?

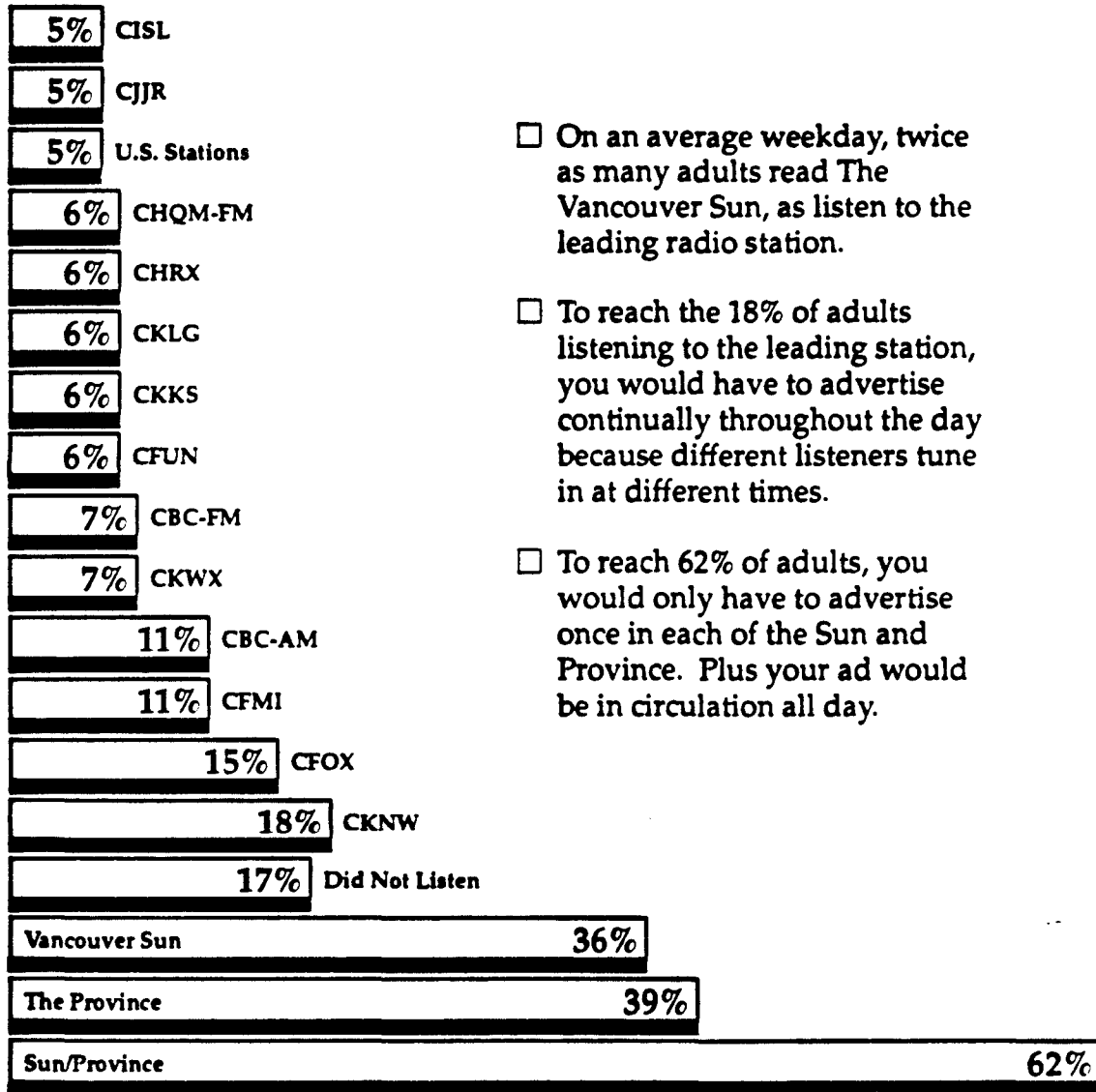
Stations listened to and newspapers read on an average weekday (multiple response)



Base: Metropolitan Vancouver residents age 18 years or older
SOURCE: NADbank 90

Are your customers getting the message with radio?

Stations listened to and newspapers read on an average weekday (multiple response)



- On an average weekday, twice as many adults read The Vancouver Sun, as listen to the leading radio station.
- To reach the 18% of adults listening to the leading station, you would have to advertise continually throughout the day because different listeners tune in at different times.
- To reach 62% of adults, you would only have to advertise once in each of the Sun and Province. Plus your ad would be in circulation all day.

Base: Metropolitan Vancouver residents age 18 years or older
SOURCE: NADbank 90

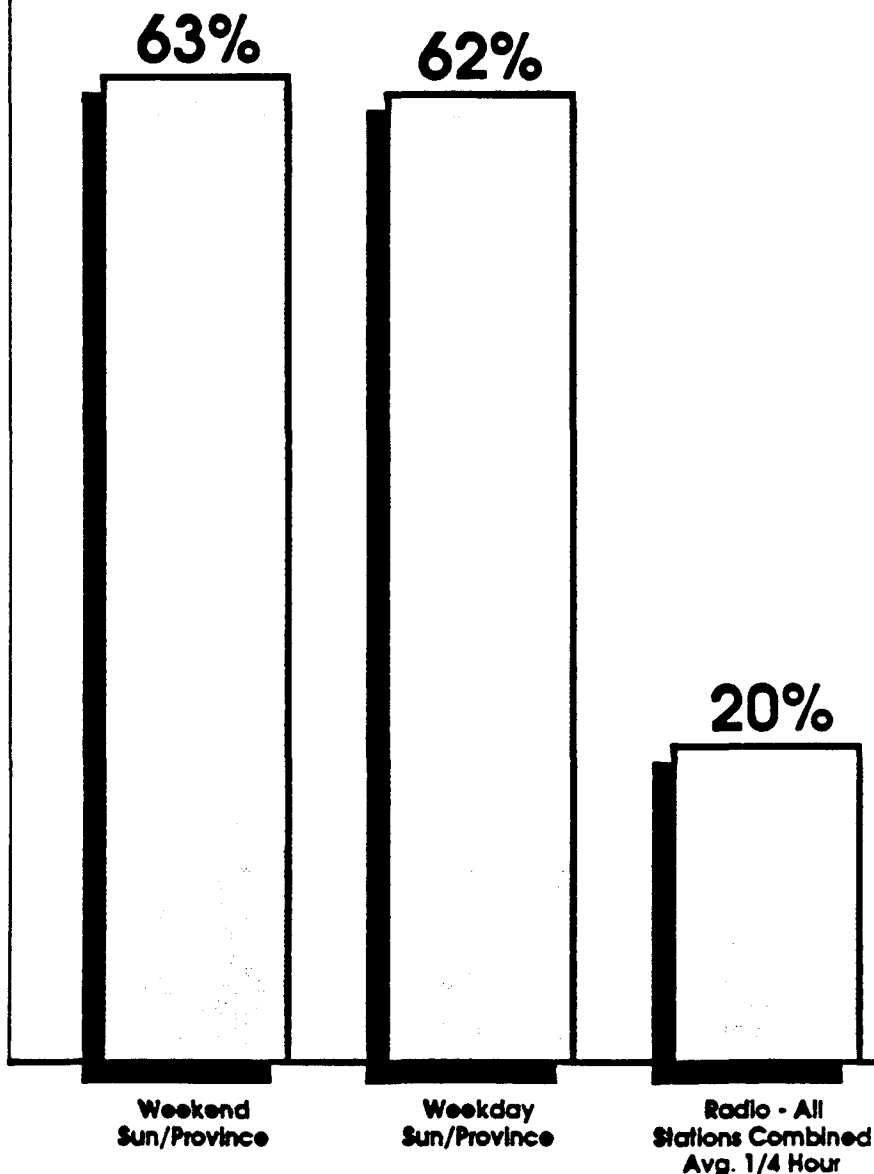
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Reaching your customers . . .

Vancouver's Dailies Get The Job Done

The reality of radio is that less than 20% of adults are listening to radio during the average quarter hour. When these listeners are divided among more than 20 stations, it becomes even more difficult to reach your customers.

In contrast, it takes only 1 ad in The Vancouver Sun and The Province to reach 62% of adults every day and all day. That's effective reach for your advertising dollar!



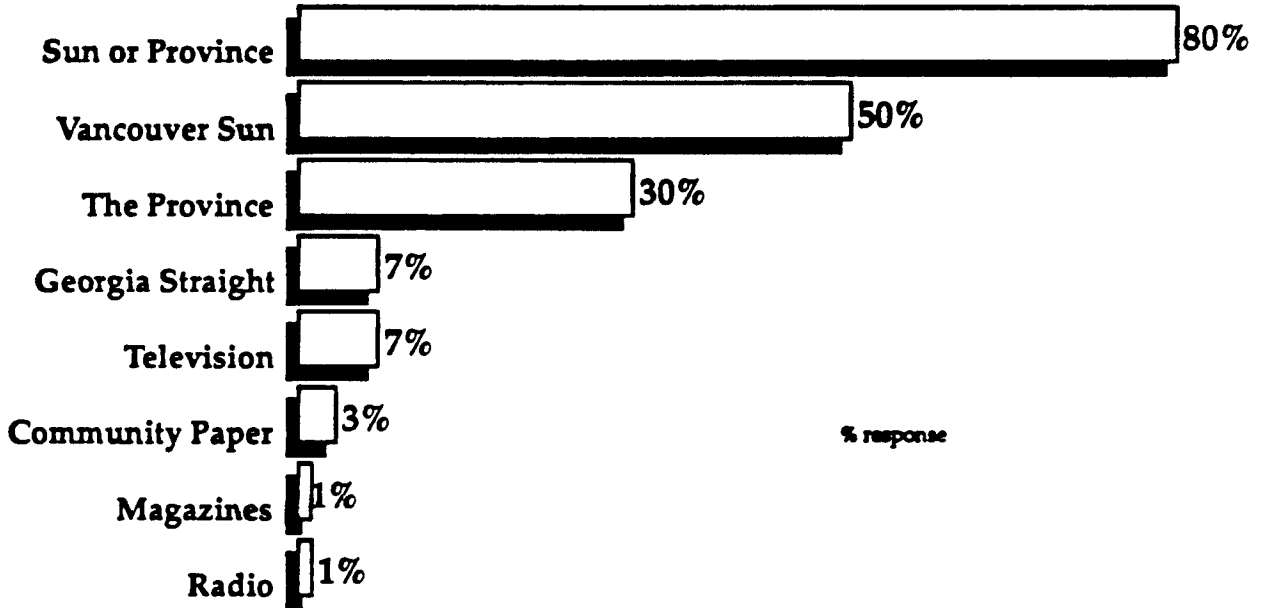
SOURCES: NADbank 90; INAME News

~~CONFIDENTIAL~~

Best Source for Movie Listings: The Vancouver Sun and The Province

Adults age 18+ throughout metro Vancouver were asked: "Which of the following is your single best source when looking for information on current movies playing in theatres?—Georgia Straight, The Vancouver Sun, The Province, television, a community newspaper, magazines or radio?"

This is what they said.



Rely on The Sun and Province to reach your customers.

SOURCE: NADbank 90

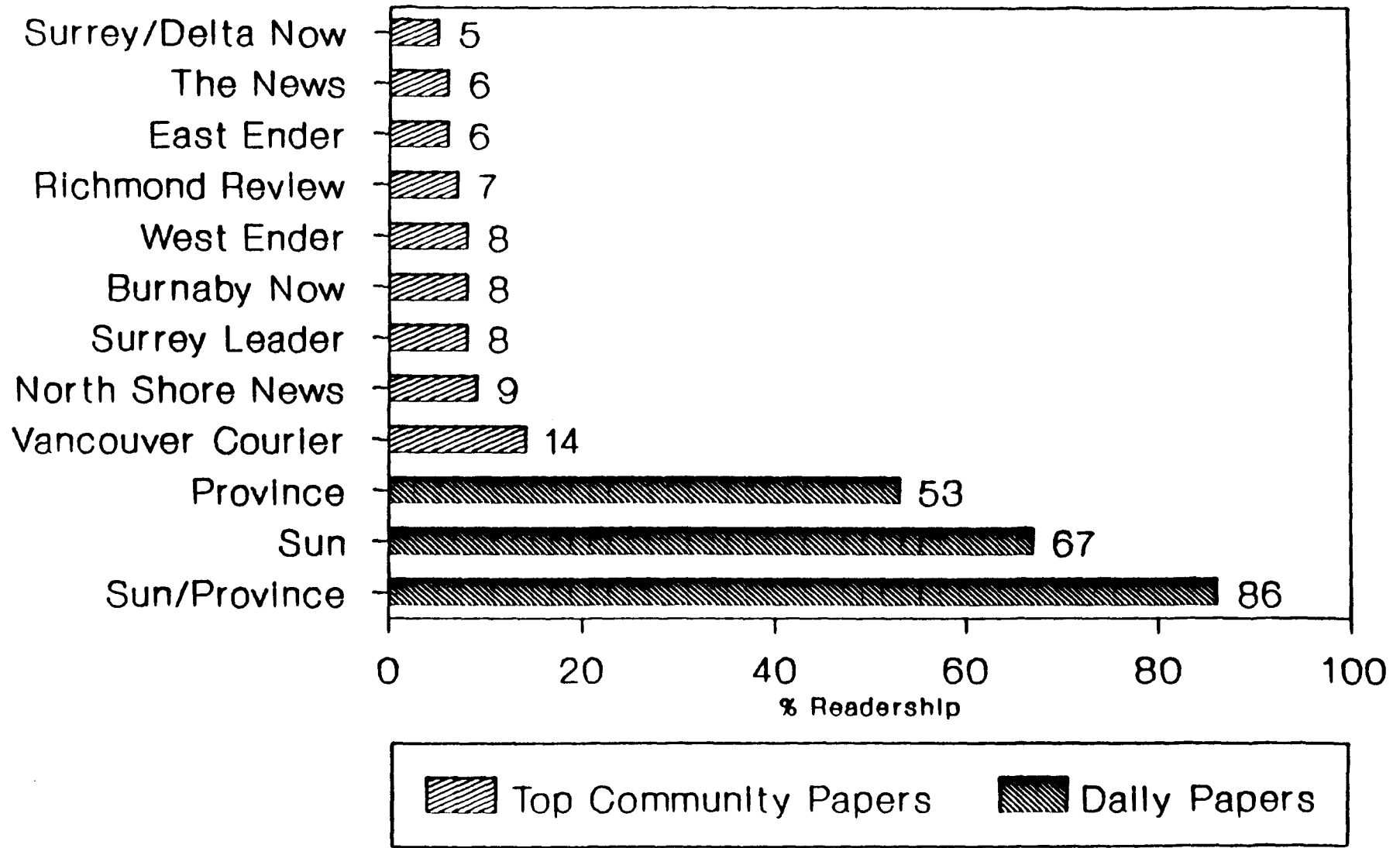
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DAILY VS COMMUNITY NEWSPAPER READERSHIP

READ LAST WEEK

ADULTS 18+ IN VANCOUVER CMA

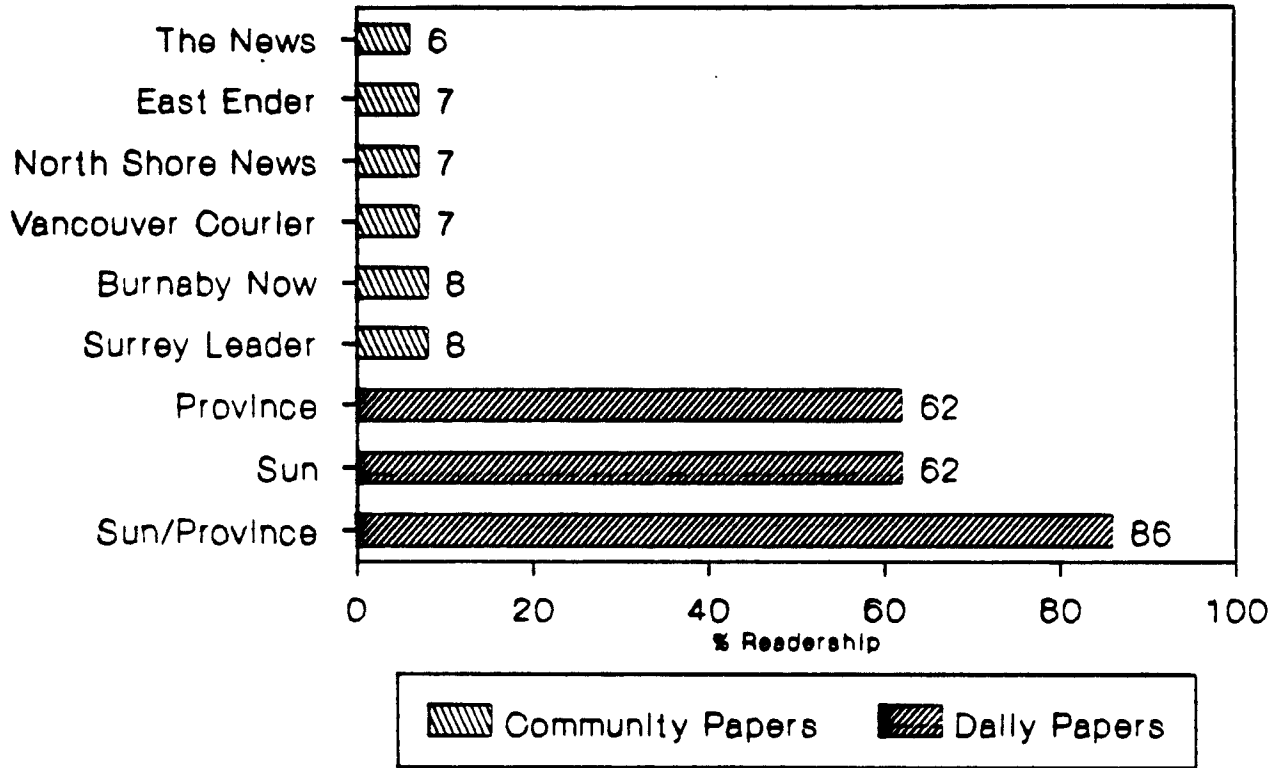
-52-



Source: Marktrend Marketing Research
Consumerscope, March 1988

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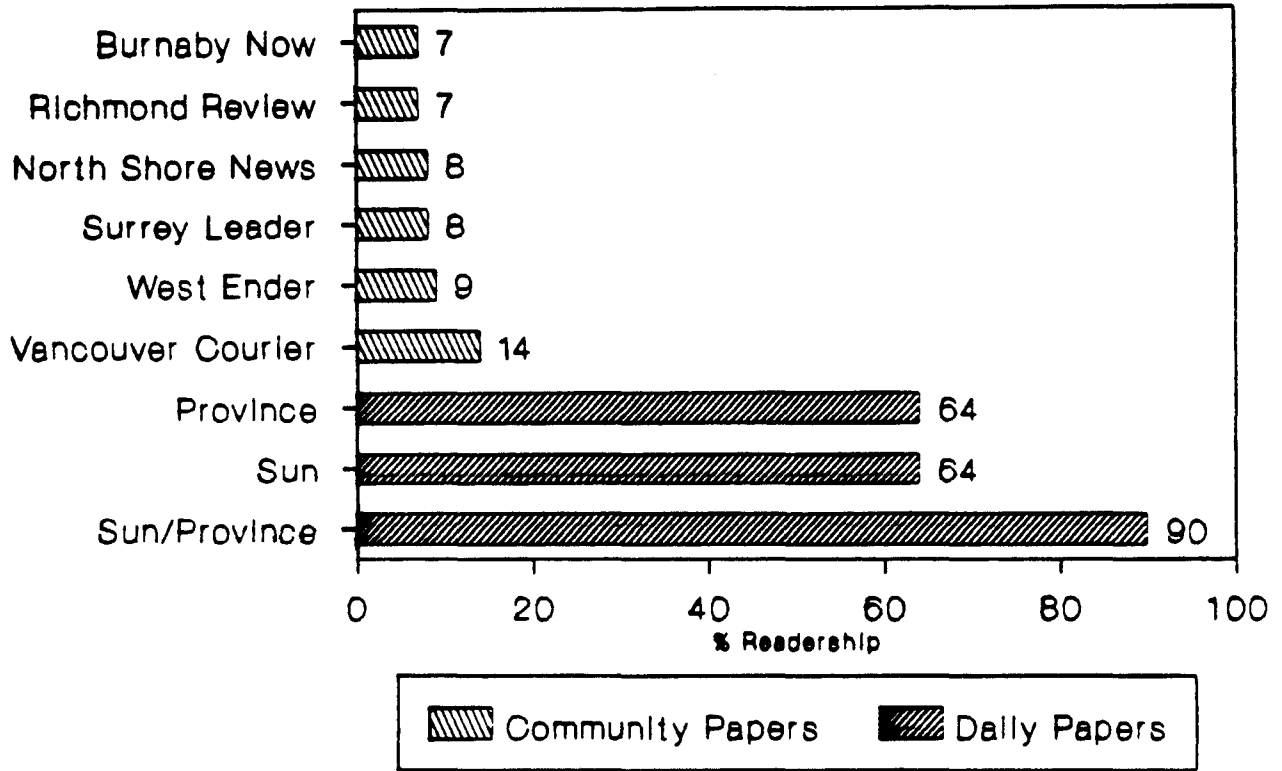
DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18-24 IN VANCOUVER CMA



Source: Marktrend Marketing Research
Consumerscope, March 1988

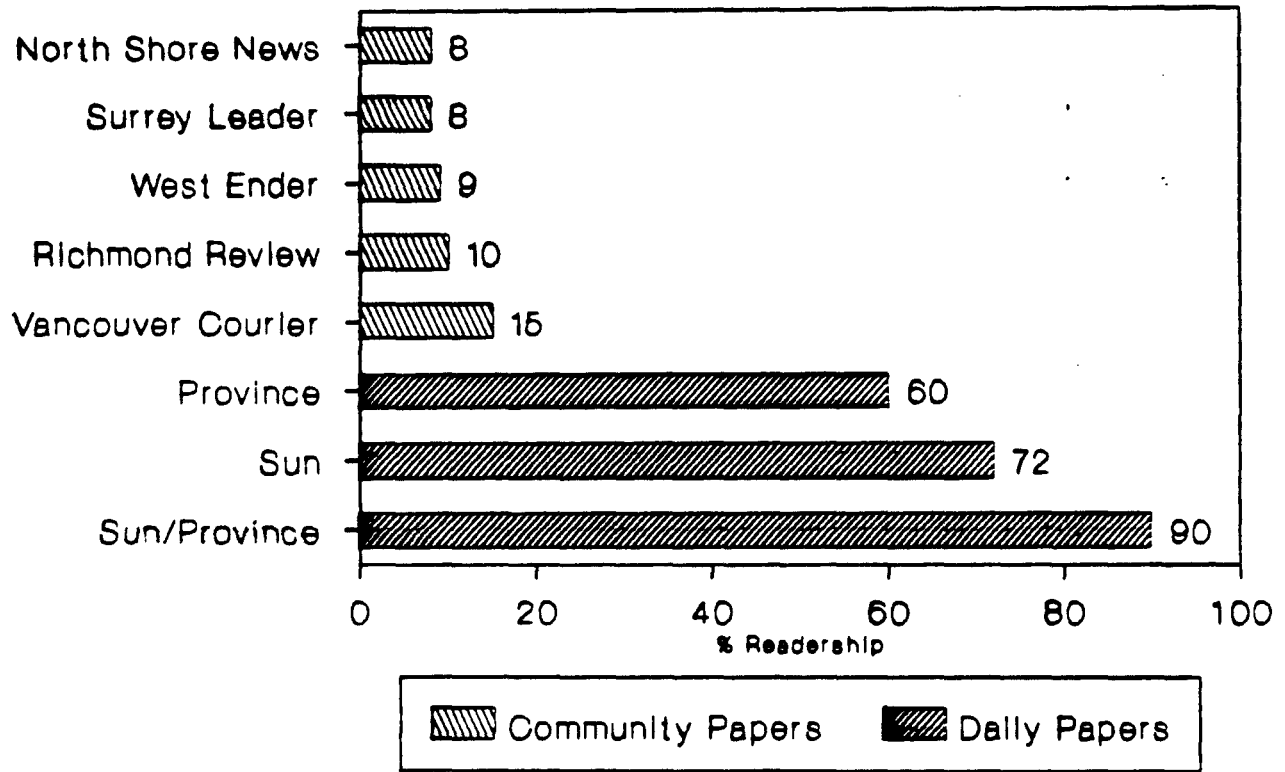
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DAILY VS COMMUNITY NEWSPAPER READERSHIP READ LAST WEEK ADULTS 25-34 IN VANCOUVER CMA



Source: Marktrend Marketing Research
Consumerscope, March 1988

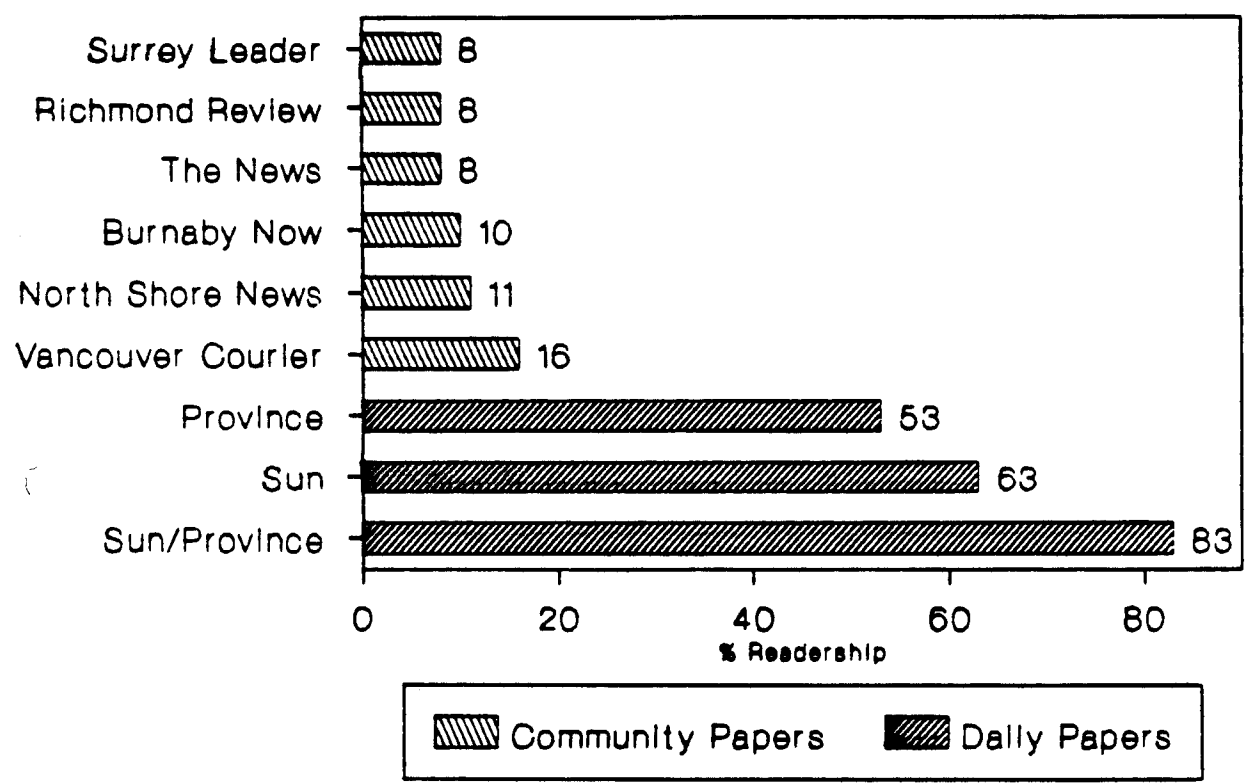
DAILY VS COMMUNITY NEWSPAPER READERSHIP READ LAST WEEK ADULTS 35-44 IN VANCOUVER CMA



Source: Marktrend Marketing Research
Consumerscope, March 1988

~~CONFIDENTIAL~~

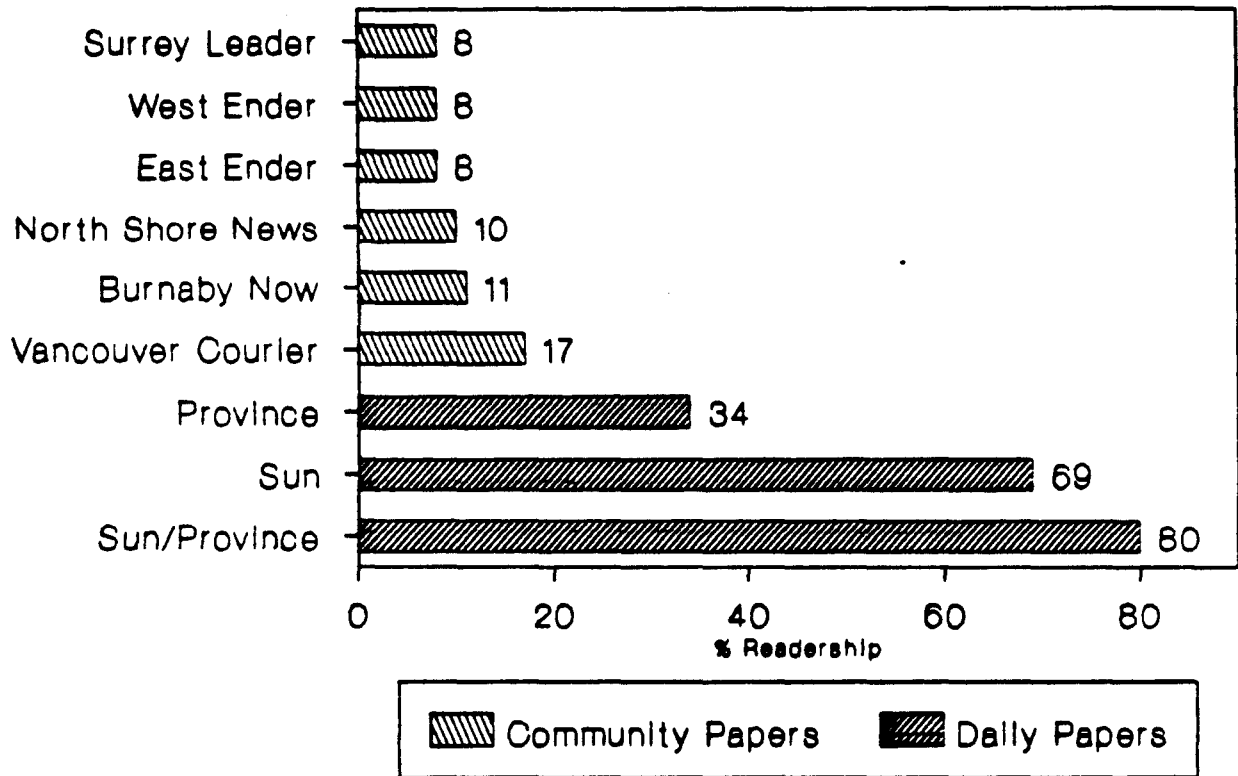
DAILY VS COMMUNITY NEWSPAPER READERSHIP READ LAST WEEK ADULTS 45-54 IN VANCOUVER CMA



Source: Marktrend Marketing Research
Consumerscope, March 1988

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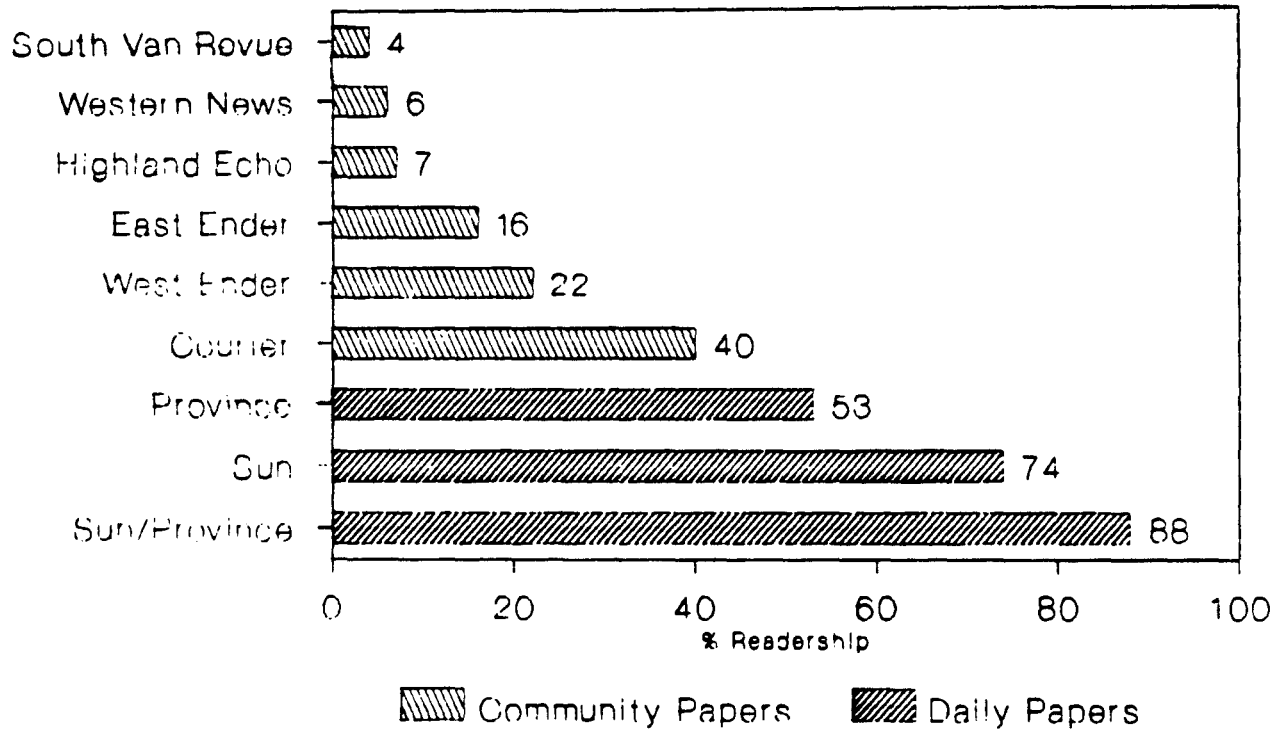
DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 55+ IN VANCOUVER CMA



Source: Marktrend Marketing Research
Consumerscope, March 1988

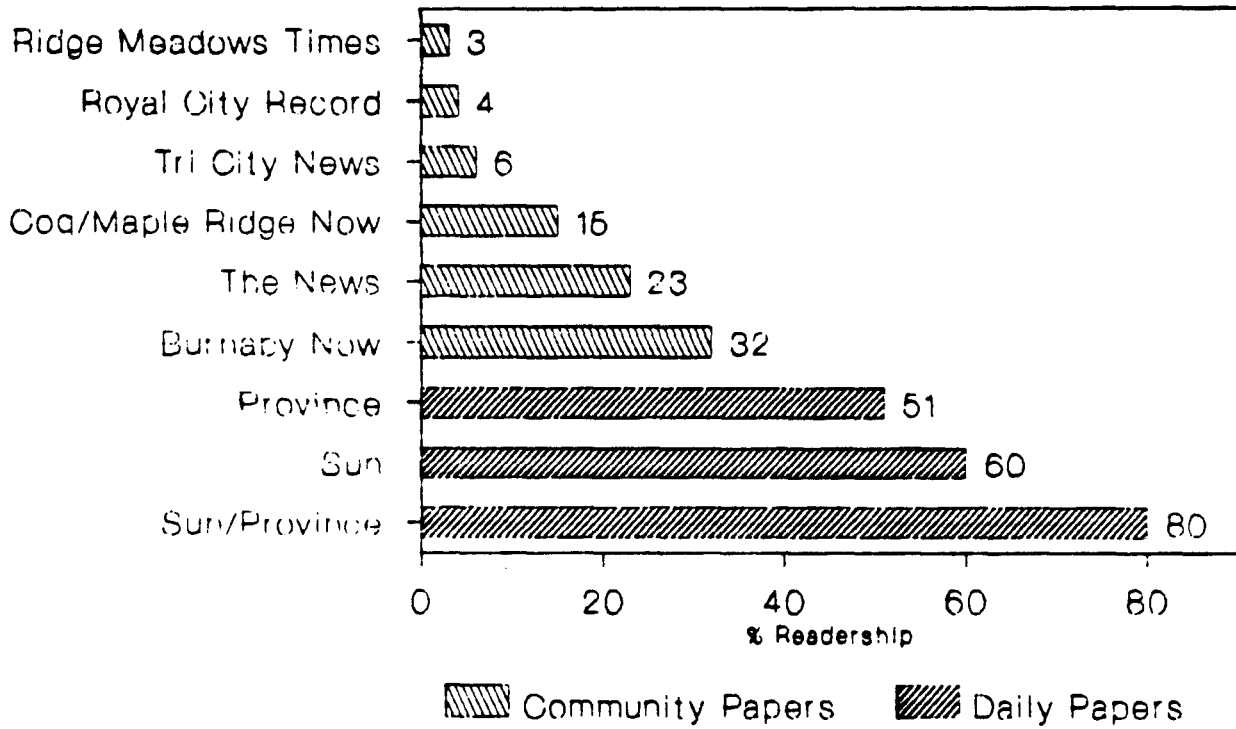
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DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18+ IN VANCOUVER PROPER



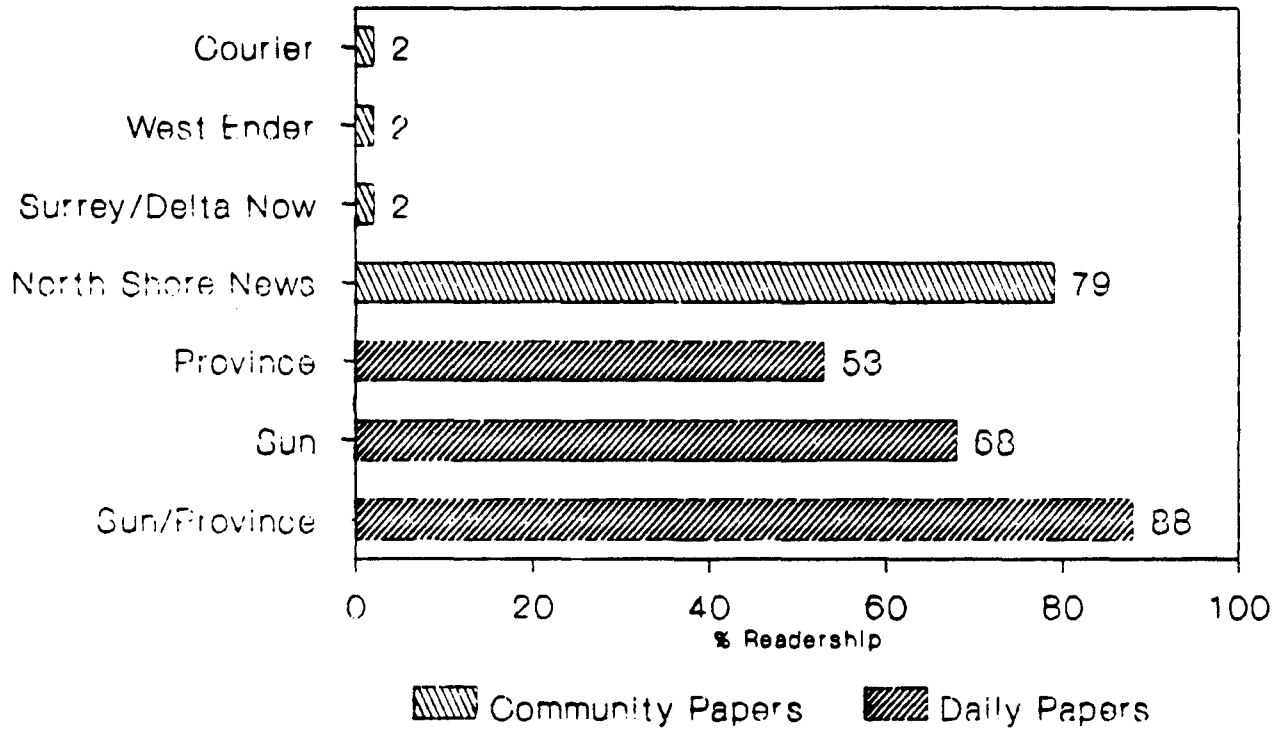
Source: Marktrend Marketing Research
Consumer scope, March 1988

DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18+ IN BBY EAST TO MAPLE RIDGE



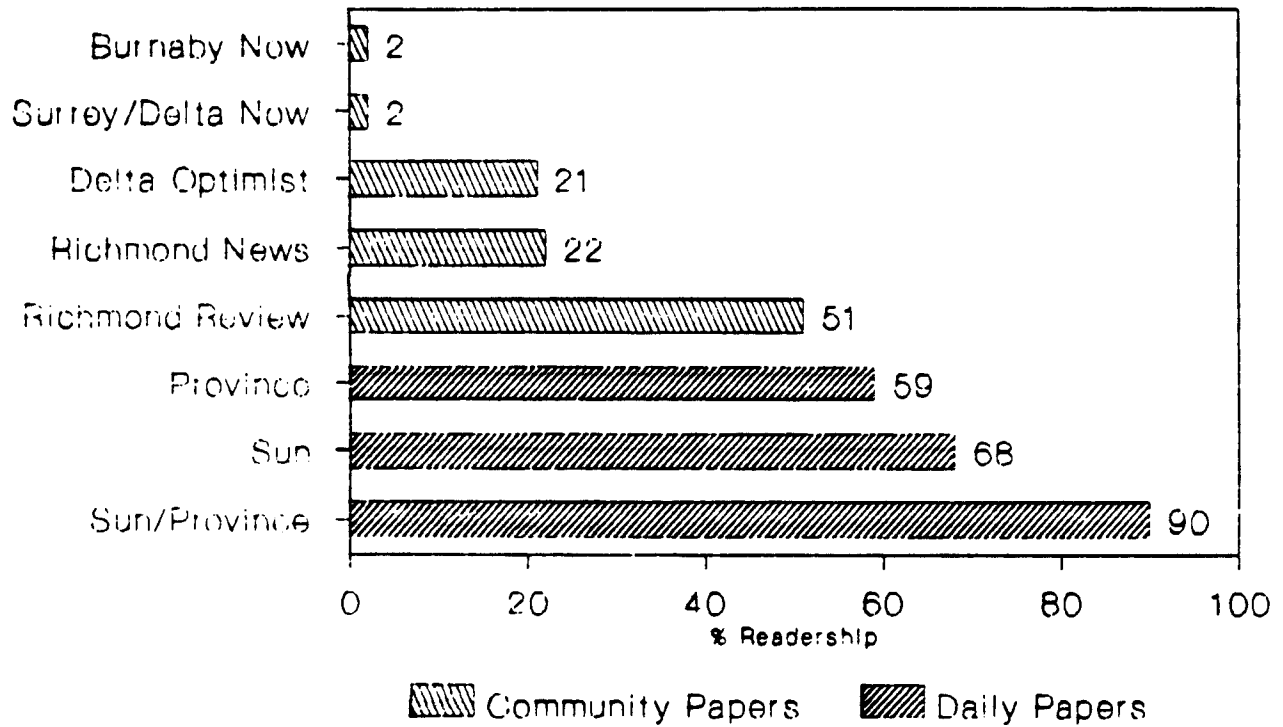
Source: Marktrend Marketing Research
ConsumerScope, March 1988

DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18+ IN NORTH VANCOUVER



Source: Marktrend Marketing Research
Consumerscope, March 1988

DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18+ IN RICHMOND/DELTA



Source: Marktrend Marketing Research
Consumerscope, March 1988

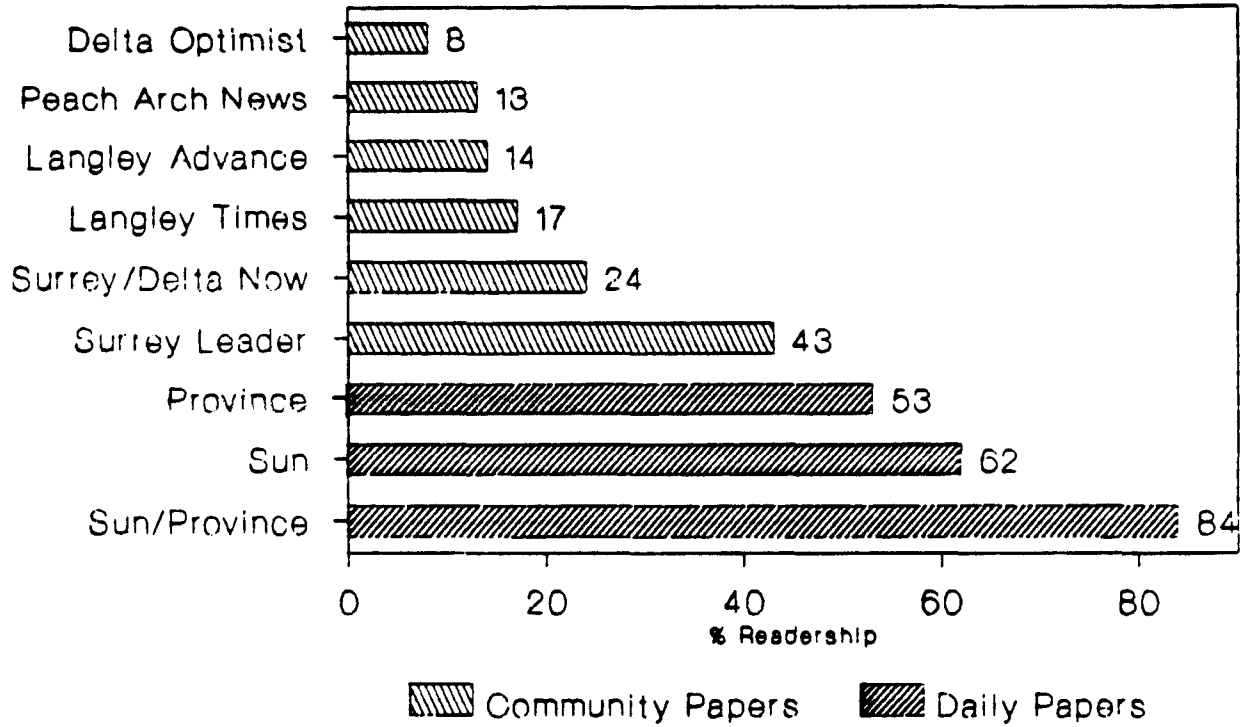
The Reach Of The Vancouver Sun Far Surpasses That Of The Community Papers

Of those who have read The Vancouver Sun . . .

11%.....	<i>also read</i>	Burnaby Now
5%.....	<i>also read</i>	Coquitlam/Maple Ridge Now
6%.....	<i>also read</i>	Delta Optimist
3%.....	<i>also read</i>	Langley Advance
3%.....	<i>also read</i>	Langley Times
14%.....	<i>also read</i>	North Shore News
3%.....	<i>also read</i>	Peace Arch News
4%.....	<i>also read</i>	Richmond Review
8%.....	<i>also read</i>	Surrey Leader
6%.....	<i>also read</i>	Surrey/North Delta Now
9%.....	<i>also read</i>	Tri City News/The News
16%.....	<i>also read</i>	Vancouver Courier

Based on readership for average week by adults 18+ in metro Vancouver.
SOURCE: ConsumerScope, April 1990

DAILY VS COMMUNITY NEWSPAPER READERSHIP
READ LAST WEEK
ADULTS 18+ IN SURREY/LANGLEY/WHITE ROCK



Source: Marktrend Marketing Research
Consumerscope, March 1988

~~CONFIDENTIAL~~

Community Paper Readers Are Already Readers Of The Vancouver Sun And The Province

<i>Of those who have read . . .</i> (Average Week)		Average Weekday	Average Weekend	Average Week
Burnaby Now.....	<i>% already read the Sun/Province.....</i>	67.....	67.....	90
Coquitlam/Maple Ridge Now.....	<i>% already read the Sun/Province.....</i>	73.....	85.....	98
Delta Optimist.....	<i>% already read the Sun/Province.....</i>	70.....	65.....	90
Langley Advance.....	<i>% already read the Sun/Province.....</i>	55.....	47.....	76
Langley Times.....	<i>% already read the Sun/Province.....</i>	60.....	52.....	79
North Shore News.....	<i>% already read the Sun/Province.....</i>	66.....	62.....	90
Peace Arch News.....	<i>% already read the Sun/Province.....</i>	57.....	60.....	86
Richmond Review.....	<i>% already read the Sun/Province.....</i>	78.....	62.....	89
Surrey Leader.....	<i>% already read the Sun/Province.....</i>	66.....	55.....	85
Surrey/North Delta Now.....	<i>% already read the Sun/Province.....</i>	67.....	59.....	89
Tri City News/The News.....	<i>% already read the Sun/Province.....</i>	67.....	74.....	93

93-

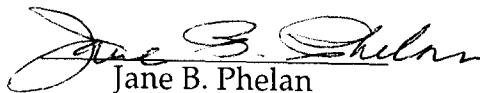
Community Paper Readers Are Already Readers Of The Vancouver Sun

<i>Of those who have read . . . (Average Week)</i>	<i>Average Weekday</i>	<i>Average Weekend</i>	<i>Average Week</i>
Burnaby Now..... % already read the Vancouver Sun.....	48.....	55.....	72
Coquitlam/Maple Ridge Now..... % already read the Vancouver Sun.....	32.....	44.....	57
Delta Optimist..... % already read the Vancouver Sun.....	49.....	39.....	71
Langley Advance..... % already read the Vancouver Sun.....	32.....	32.....	55
Langley Times..... % already read the Vancouver Sun.....	34.....	35.....	54
North Shore News..... % already read the Vancouver Sun.....	48.....	49.....	75
Peace Arch News..... % already read the Vancouver Sun.....	33.....	39.....	58
Richmond Review..... % already read the Vancouver Sun.....	53.....	50.....	70
Surrey Leader..... % already read the Vancouver Sun.....	39.....	34.....	58
Surrey/North Delta Now..... % already read the Vancouver Sun.....	39.....	38.....	62
Tri City News/The News..... % already read the Vancouver Sun.....	35.....	48.....	62
Vancouver Courier..... % already read the Vancouver Sun.....	48.....	49.....	71

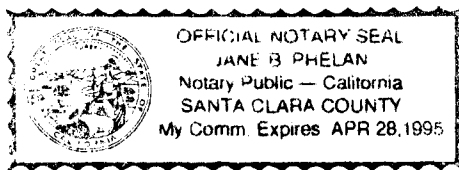
SOURCE: ConsumerScope, April 1990

~~CONFIDENTIAL~~

This is Exhibit F to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

What ADVVO
can do for you.

ADVVO

DIRECT
MAIL
— insert business —
U.S.

A Research Division of the United States Postal System recently completed a telephone and diary study of a nationally representative sample of people in households across the country to determine what type of mail people receive and what they do with it. These surveyed first answered a series of questions in a telephone interview. Then these same people kept a diary to document what they did with each piece of mail received over a week's time.

The study included several questions on general mail reading habits, as well as specific questions on the handling and reading of advertising-related mail. Some of the important conclusions are detailed below:

- People enjoy getting mail, and reading the mail is a habit. Reading mail consists of three distinct parts. When people get mail, they read it right away, set it aside for later reading, or they throw it away. The household diaries reveal that:

70 to 90 percent of third-class mail is either read or looked at immediately, or set aside for later reading, making mail one of the highest rated media for attracting attention.

- People were specifically asked about promotional material received through the mail. They answered:

"I usually read or scan it"	60%	91%
"I read some, don't read others"	31%	
"I usually don't read"	9%	

Nine out of ten respondents evaluate the importance or relevance of the advertising received, proving that mailed advertising gets noticed.

- When queried about their personal feelings about receiving advertising or promotional material through the mail, 69% said:

"I don't mind getting some that doesn't interest me, as long as I also get some that does interest me." or
 "I would like to receive more advertising and promotional material through the mail."

Advertising mail is not unwanted clutter to nearly seven out of ten of the respondents.

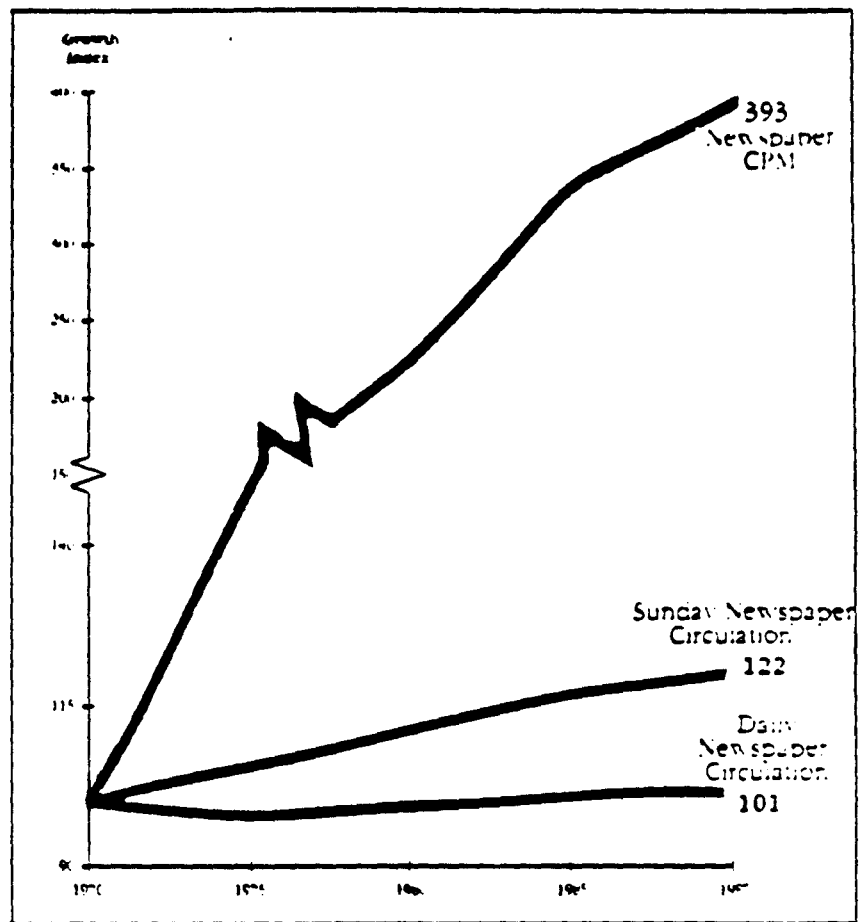
- Each household kept a diary of mail item Reaction, by industry, as received over a week, and documented the readability and usefulness of each follows:

Third Class Mail Received From (Excludes Sales)	% of Households Read Immediately	% of Households Read at a Later Date	% of Households Found Useful
Department Stores	71%	23%	88%
Other Retail	70%	23%	87%
Manufacturers	69%	22%	86%
Financial Institutions	68%	21%	85%
Consumer Product Distributors	67%	20%	84%

Category by category, consumers read their advertising mail and find much of it useful.

COSTS HAVE GROWN MUCH FASTER THAN CIRCULATION

The growth in overall advertising costs has far exceeded the growth in daily or Sunday newspaper circulation.



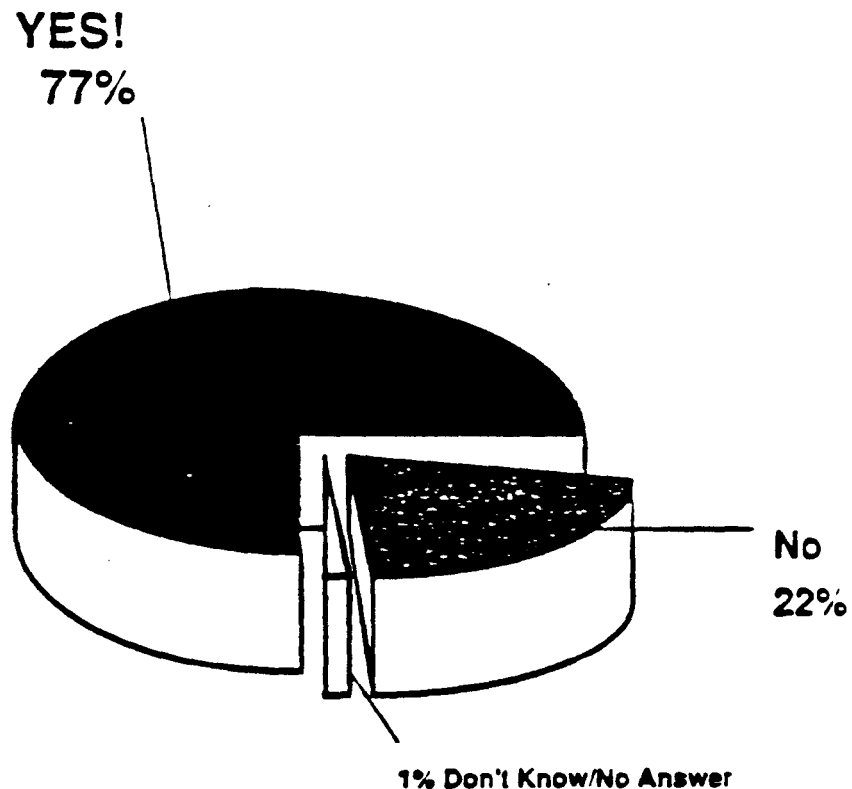
Year	US Daily Newspaper Circulation	Growth Index	US Sunday Newspaper Circulation	Growth Index	Newspaper Cost-Per-Thousand Growth Index
1970	62,107,527	100	49,216,602	100	100
1975	60,655,431	98	51,096,393	104	147
1980	62,201,840	100	54,671,755	111	224
1985	62,766,232	101	58,825,978	120	342
1987	62,826,273	101	60,111,863	122	393

Sources: ANPA's "Facts About Newspapers '88." CPM Media Cost Index from *Marketing & Media Decisions* 1976-1987

~~CONFIDENTIAL~~

Mail puts Your Message in the Hands of Primary Grocery Shoppers

Primary grocery shoppers in households across the country were asked:
Are you the person who brings in the mail?



Nearly **eight** out of **ten** primary grocery shoppers reported
that they are the person
who most often brings in the mail!*

* Based on a nationally representative sample of households' primary food shopper.

Source: R.H. Bruskin Associates, 10/67.

THE READERSHIP OF A NEWSPAPER ADVERTISEMENT IS ONLY 11% OF TOTAL NEWSPAPER READERSHIP

According to figures reported by the Newspaper Advertising Bureau, the average readership of a newspaper advertisement is only a small fraction—11%—of the total daily newspaper readership

AVERAGE READERSHIP OF A NEWSPAPER ADVERTISEMENT:

The percent of adults who usually read every page of the daily newspaper = 64%

The percent of ads read on an opened page (1/4 to 1/2 page ad) = 17%

Integrating the two averages, the percent of ads read on an opened page by the percent who open all pages: $64\% \times 17\% = 11\%$

EXAMPLE: If a newspaper reports its total daily readership as 200,000 adults, the average percent of adults who read every page is 128,000 (64%). The average readership of a 1/4 to 1/2 page ad on an opened page is 21,760 ($128,000 \times 17\%$). *The average readership of the ad is only 11% of the total daily readership (21,760 is 11% of 200,000).*

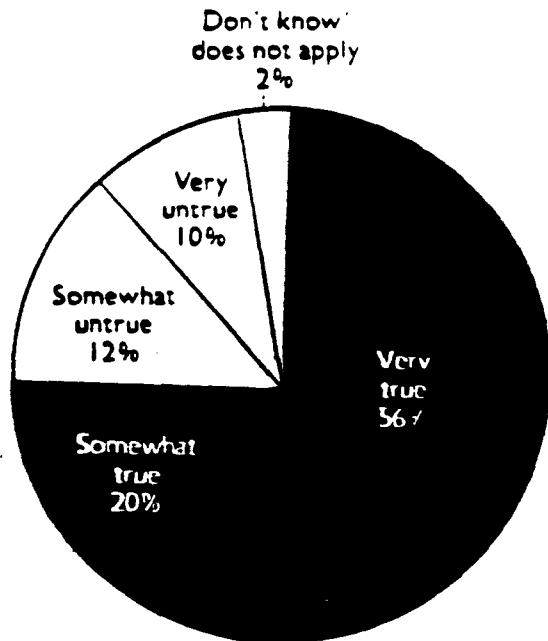
A new Gallup Survey indicates that three-fourths of all Americans claim they usually open everything in their Mailboxes.

Are Your Direct Mail Ads Seen? **YES!**

Results are based on 1,559 personal interviews conducted among a nationally representative sample of adults, age 18 and older, during the period of October 21-28, 1986.

Source: Gallup organization, as reported in Target Marketing, May 1987.

I usually open up all the mail I receive





RECALL OF DIRECT MAIL PREPRINTS IS THREE TIMES THAT OF NEWSPAPER INSERTS

The CBS Television Network, in cooperation with a major national advertiser, commissioned R.H. Bruskin to conduct a study on the effectiveness of preprints as newspaper inserts and direct mail.

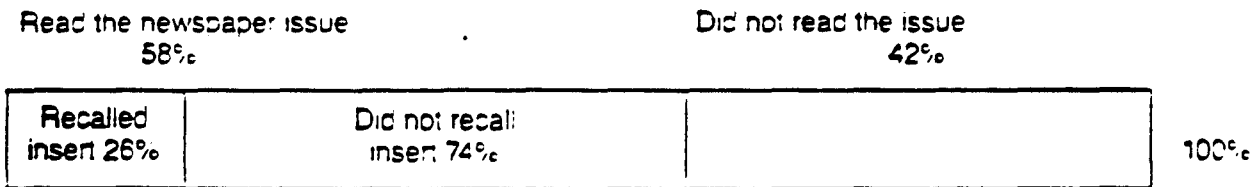
In four markets — two receiving the advertiser's preprint in newspapers, two by direct mail — a total of 1,020 adults were interviewed by telephone the day after the preprint's distribution.

THE FINDINGS:

- 1) In the newspaper markets, 58% of adults said they **READ THE ISSUE OF THE NEWSPAPER WHICH CARRIED THE INSERT.**

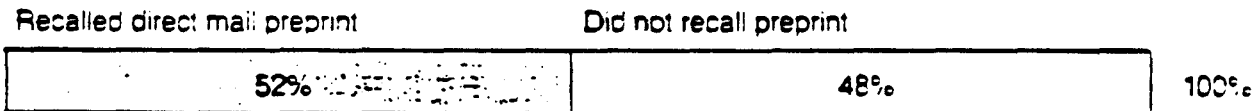


- 2) Of the 58% who read the newspaper, 26% recalled the insert. That's **15% OF THE TOTAL SAMPLE WHO RECALLED THE NEWSPAPER INSERT.**

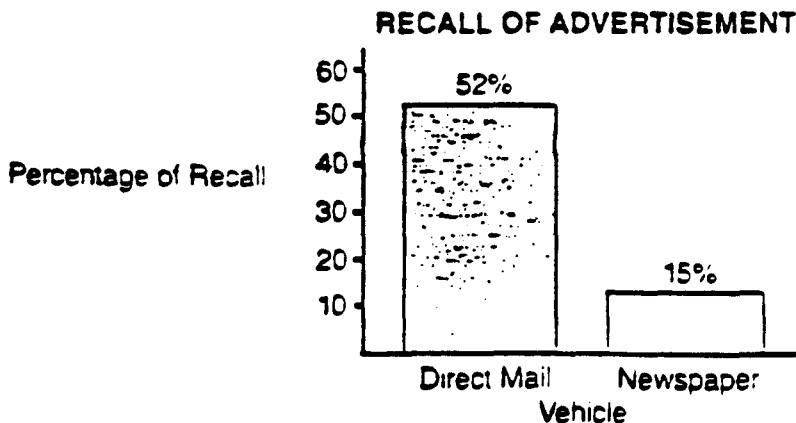


15% of sample

- 3) In the direct mail markets, **52% RECALLED RECEIVING THE PREPRINT.**



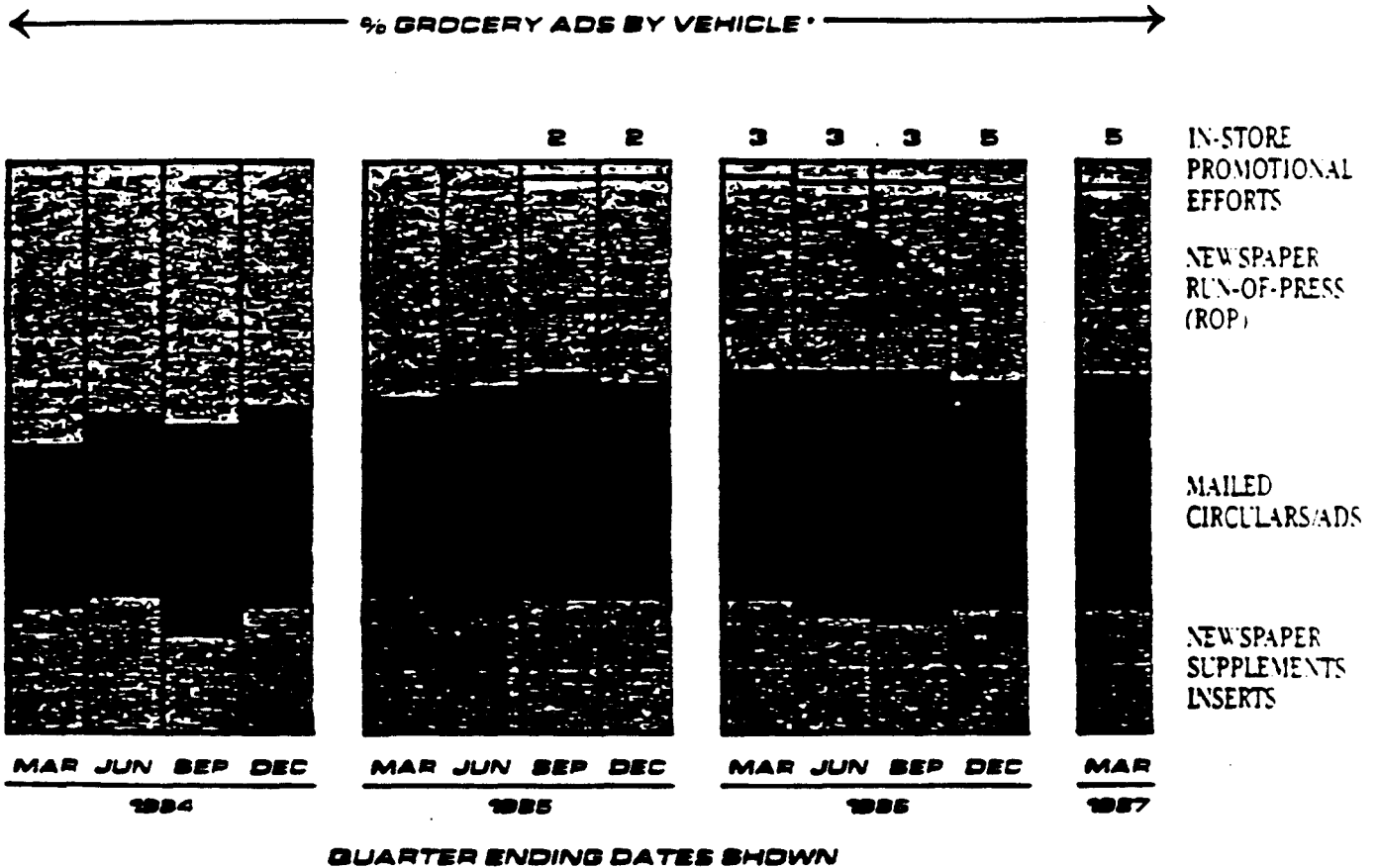
SO RECALL OF THE AD DISTRIBUTED BY DIRECT MAIL WAS MORE THAN THREE TIMES AS HIGH AS THE AD DISTRIBUTED THROUGH NEWSPAPER.



Source: R.H. Bruskin Associates as reported by the Television Advertising Bureau in "Direct Mail & Television", 1955

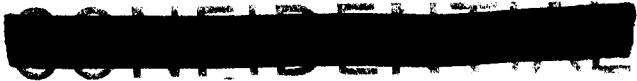
DIRECT MAIL IS NOW THE NUMBER ONE PRINT VEHICLE FOR GROCERY STORE FEATURE ADS

Grocery store operators, in an effort to achieve more effective local advertising, are increasing their use of mailers and circulars at the expense of newspaper ROP ads. Majers Corporation measures trends in feature ads by vehicle for grocers in 24 markets for 24 categories. Results are as follows:

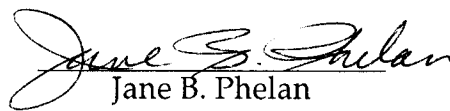


ROP has declined from 50% to 32% from 1984 to 1987 while mailers increased from 27% to 40%.

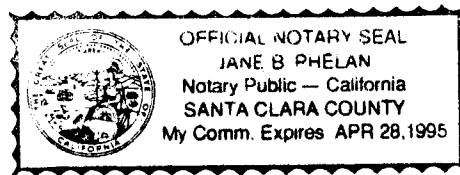
*Grocery - Best Food Day; 24 categories in 24 markets



This is Exhibit G to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

Debate

(Continued from page 9)

the breaking and investigative news (or the joint Sunday edition.) Sunday night, the Free Press contacted the Goldfarbs and asked for the documents.

According to the story by Free Press reader representative Joe Grimm, city editor Chip Visci and the paper's attorney, Herschel Fink, also tried unsuccessfully to get the papers without signing a contract.

Finally, Fink — working with Goldfarb's father, who is a lawyer — negotiated the one-sentence "hold harmless" agreement.

Executive editor Meriwether said the Goldfarbs never asked for money, and the Free Press never sought an exclusive on information.

"It was very limited in scope," he said. "What we agreed to was that we would hold them harmless for anything that was attributed to them for that particular conversation and those documents, and then only for what was put in the paper."

Further, Meriwether noted that the police department attorney readily admitted writing the two disputed letters concerning the Beverly Hills house lease.

In one way, the agreement also helped the reporting of the story, Meriwether said.

"In a story that had been dominated by anonymous sources, this was a named source . . . We had it sort of every which way verified," he said.

News reporter Farrell said he was shocked to see the documents emerge in the Free Press and called Timolin Goldfarb.

"She informed me she was dealing exclusively with the Free Press," he said. "She also expressed anger at our telling them that this type of agreement was unheard of."

"Here the source of important information asked for protection because he feared being sued. You can question the news judgment . . . but it's a far cry from checkbook journalism," Fink said.

"She said, 'Obviously it must be done because it took the Free Press only 15 minutes to work this out lawyer-to-lawyer, and you people told us it was never done,'" Farrell said.

The next day's Detroit News contained a shot at the Free Press in the form of a story that solicited opinions about the ethics of the agreement.

For example, Don Fry, who directs the ethics branch of the Poynter Institute for Media Studies, was quoted as saying, "The danger is you're getting toward checkbook journalism, a form

of paying for a story."

However, in the Free Press response, reader representative Joe Grimm quoted lawyer Fink comparing the agreement to a reporter's promise to go to jail rather than breach the confidentiality of a source.

"Here the source of important information asked for protection because he feared being sued. You can question the news judgment whether this information was so important that it warranted that kind

of exceptional promise, but it's a far cry from checkbook journalism," Fink said.

One thing both papers say they agreed on is that they hope this does not become a widespread demand from news sources.

"This is not something, frankly, you want to encourage," Meriwether said.

Asked what he would do if all sources asked for this kind of assurance, News investigative reporter Farrell responded quickly, "I'd sell shoes."

Combating direct mail

How an Oregon daily newspaper regained several major grocery ad accounts it had lost to direct mail

By M.L. Stein

Michael Raz, advertising director of the Eugene (Ore.) Register-Guard, returned from a weekend trip in 1988 to find that he had lost several major grocery accounts to direct mail.

"We were blindsided," he told E&P. "We had never considered direct mail a competitor, but now we had to."

Raz and other executives, including general manager Fletcher Little, also made immediate plans to win back the lost advertisers, plans that were ultimately successful.

They recently put together a four-page brochure with a cover that read: "Perfectly good advertising turns to junk when you stick it in the mail."

Inside, customers were hit with facts gleaned from research by the National Advertising Bureau and other agencies.

Examples:

• When NAB asked people whether they preferred direct-mail ads or newspaper ad inserts, the answer was newspaper, 4-1.

• Another NAB finding was that nearly 50% of all adult Americans think the newspaper is the "most believable" ad medium, with tv getting only a 21% share and direct mail a mere 8%.

• In a Suncoast public opinion survey, respondents described newspaper inserts as "more valuable for planning shopping" than direct mail by a 77% to 10% margin; "easier to

find," 74% to 15%; "offering a more complete assortment of ads," 80% to 11%; "more believable," 61% to 3%.

• An Urban & Associates study of 7,358 people nationwide determined that newspaper ad inserts are nearly 300% more likely to be read before any direct-mail ad or the rest of the paper.

• A shopper survey by Market Decisions Corp. of Portland in Eugene and Springfield, Ore., showed that 62% of the people in the area use food advertising when making shopping decisions and that 59% of them said newspaper ads are the most helpful, compared with 38% who preferred direct mail.

"Just imagine yourself going to the mailbox," the brochure continued.

"You're h friends or find . . . ju

"You're get what you turbed. Her your privac sales pitch ing."

By contr went on, t "invited gue ber of the fa valued that

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ACB a make

Branham Advertising reached an resentative rights to AC client news

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Both of t companies (ESOPs).

Series Indian

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"We're s murderers, Kearnes, at many peo

Indians 40 the percept

The serie in the Nebr significant settlement Indians kill and guns.

"But the Indians we

"You're hoping for letters from friends or family. But instead you find . . . junk mail.

"You're disappointed; you didn't get what you wanted. And you're perturbed. Here's an intruder, invading your privacy, deviously slipping in a pitch when you weren't look-

By contrast, the promotional piece went on, the Register-Guard is an "invited guest; an old friend; a member of the family; a service so highly valued that you pay to have it hand-

delivered to your doorstep every day."

The advertiser's customers, the R-G suggested, expect advertising to be delivered in the "most convenient way" for them.

"Which, if you think about it, is also the most effective way for you," the paper added.

The strayed advertisers did think about it, Raz said, and returned to the newspaper. The accounts included Albertson's, a major chain, and Food Value stores, a local independent

group.

Raz noted that a multiple-page discount program developed at the same time as the brochure also played a part in retrieving the advertisers.

R-J promotion director Jim Hinton termed direct mail an "ever-increasing threat," which brought out the paper's "hard-hitting testimonial for newspapers."

Copies of the brochure may be obtained by contacting Raz or Hinton at the Register-Guard, PO Box 10188, Eugene, Ore. 97440.

IN BRIEF

ACB and Branham make deal for data

Branham Newspaper Sales and the Advertising Checking Bureau have reached an agreement for the representative firm to license exclusive rights to ACB co-op data for use by its client newspapers.

The licensing agreement will enable Branham to increase its sale of co-op advertising and data to national (including national retail) advertisers and their agencies.

Details of the agreement are slated to be outlined during a joint presentation Jan. 6 in Palm Springs, Calif., just prior to the winter meeting of the National Newspaper Advertising Marketing Executives.

Both of the New York City-based companies are employee-owned (ESOPs).

Series offensive to Indians is dropped

The *Omaha World-Herald* dropped a series on the history of Nebraska counties after Indian groups criticized the way it portrayed their forebears.

The illustrated series, "Nebraska in the Making," was first published by the newspaper in the 1930s.

"We're stereotyped as savages, murderers, in the series," said Kay Kearnes, an Omaha Indian. "Maybe many people thought that about Indians 40 years ago, but that's not the perception now. We're insulted by the series."

The series describes early activity in the Nebraska Territory and names significant figures in each county's settlement. Several pieces portray Indians killing pioneers with hatchets and guns.

But the series never explains that as were systematically forced

off their land by many of these settlers," Kearnes said.

William L. Donaldson, vice president for sales for the newspaper, said complaints prompted the review of the series. Because removing the offensive drawings would not have been faithful to the original illustrations, it was decided to drop the series, he said.

— AP

NYNPA board OKs state recycling plan

The board of directors of the New York Newspaper Publishers Association has unanimously accepted recommendations from the New York State Newspaper Recycling Task Force regarding increased production and use of newsprint with recycled paper content.

Among its other recommendations, the plan calls for increasing the percentage of recycled fiber in newsprint productions in increments from its current 7% level to 40% by the year 2000.

Two American journalists hurt in Romania

Two journalists were killed and five others, including two Americans, were wounded in the fighting in Romania between insurgents and forces loyal to deposed President Nicolae Ceausescu, who was recently executed by the military.

Danny Juwe, a reporter for the Belgian VTM television station, was fatally shot by snipers Dec. 24 when he tried to enter Bucharest by car.

The previous day, Jean-Louis Calderon of France's Le Cinq TV station was crushed to death by a tank in

Bucharest as he was reporting on the fighting.

Emre Aygen, a reporter for the Turkish state television TRT, was seriously wounded in the head on the outskirts of Bucharest by snipers as he traveled with a group of journalists.

Four journalists wounded by sniper fire in Timisoara included John Daniszewski of the Associated Press, John Tagliabue of the *New York Times*, Pasquale Modica, an Italian photographer, and Zeljko Sajin, a Yugoslave reporter. All four are expected to survive.

— AP

Detroit News calls a war

Feeling lucky, dictators? Go ahead, make the *Detroit News'* day.

The Gannett Co. newspaper is working on an unusual record: Most wars in response to editorial demands.

On Tuesday Dec. 19, the News editorial was as blunt as its headline: "Invade Panama."

At 1 a.m. the next day, thousands of U.S. troops swooped down on Panama City, deposing strongman Gen. Manuel Noriega.

This was the second time a Detroit News invasion editorial came true.

On Oct. 23, 1983, the News ran another bluntly headlined editorial: "Invade Grenada." Two days later, 1,900 U.S. troops stormed ashore the tiny Caribbean island.

An excerpt from that editorial could represent the News' support for both invasions.

"The use of force is, and should be, an absolute last resort. But if the United States is never willing to use the force it has, there is no point in having it," the 1983 editorial read.

A.C. Nielsen asked to alter how it measures tv

By Andrew Radolf

General Foods Corporation has launched a drive to get the A.C. Nielsen Co. to change the way it measures television viewing.

General Foods wants Nielsen to start measuring viewership of tv commercials separately from its ratings for program viewership.

The move came after General Foods became increasingly concerned over what is known as "zapping" — the tendency of viewers to tune out commercials by skipping around the dial or using video cassette recorders to tape a program and then screen out the ads.

David Braun, director of media services for General Foods, recently met with the company's several ad agencies to put pressure on Nielsen for change. The agencies were Ted Bates & Co., Grey Advertising, Benton & Bowles, Young & Rubicam and Ogilvy & Mather.

According to Braun, zapping by tv viewers is costing General Foods over \$1 million year in ratings for commercial audiences which do not exist.

According to Braun, zapping by tv viewers is costing General Foods over \$1 million year in ratings for commercial audiences which do not exist.

Nielsen, while saying the "request" for change in audience measurement has been noted, has just begun to address the issue.

"As a syndicated service, you have to pass it by everyone who's involved — starting with the networks," said Nielsen spokesman Bill Behanna.

The television networks pay the largest share of the cost for Nielsen's

measuring service. They base their advertising rates on the viewership of their programs, not on who's watching the commercials.

However, Behanna remarked that Bates sent a letter out to all of its clients telling them of its concern about zapping and that the clients in turn have "responded" and begun pressing Nielsen for change.

Behanna said the clients want Nielsen to at least begin providing information as to what part of a show's rating comes from VCR taping.

Nielsen has the VCR information in its computers and plans to have an "answer in a couple of weeks," Behanna said.

He explained that Nielsen will first start with breaking out the "VCR element" in its ratings, and then look at the overall question of providing ratings for commercial viewership to take account of zapping by the tv audience.

Phoenix dailies win back big retailers from direct mail

One year after commissioning a study showing that newspaper inserts are better read and more frequently used than direct mail, Phoenix (Ariz.) Newspapers Inc. has been winning back big retail advertisers it lost to direct mail programs.

"Many of our retailers, notably Sears, experimented with direct mail, particularly Advo . . . and now they are back," said H. Kenneth Clouse, advertising director of the company, which publishes the *Arizona Republic* and the *Phoenix Gazette*.

"Our inserts are setting records month after month," he added.

One factor in regaining the retail advertising, he said, was a study conducted in July, 1983, by M.R. West.

In telephone interview with 400 randomly-selected *Republic* or *Gazette* subscribers, the polling firm found that more than 8 of 10 readers read printed inserts, and are much more likely to recall a newspaper insert ad than a direct mail one.

The newspaper was not identified as the sponsor of the poll.

The poll also showed that about 25% of direct mail preprints are thrown away unread.

Newspaper inserts also scored much higher with readers asked about usefulness, value and attractiveness of both advertising systems.

For example, 85% of the readers

surveyed said newspaper inserts were "valuable in planning my shopping," while less than 5% said that statement applied to direct mail.

By margins of more than 40%, readers were more likely to agree that newspaper inserts rather than direct mail was "more informative," "more interesting," "most worth looking at," and has the "most complete assortment of ads."

The poll also showed that about 25% of direct mail preprints are thrown away unread.

Unaided recall of specific advertisements in newspaper inserts was also significantly higher — an average of two times higher — than of those in direct mail, the survey found.

"Like anything else, it's hard to say there was one thing that brought the retailers back, but they found (the survey figures) surprising," Clouse said.

At the same time that the Phoenix newspapers were touting the A.R. West survey, Advo System, Inc., in conjunction with John Blair Marketing, announced the results of a survey of retail executives conducted by Aaron Cohen Marketing Services.

The Advo-sponsored survey show-

ed that 47% of a sampling of 400 retail business execs contacted, felt that direct mail was the best medium to pinpoint advertising to avoid duplication.

Thirty-two per cent of the execs polled selected newspapers as the best medium to pinpoint advertising. Another 9% selected tv and 4% selected radio.

'Bubble' boy's mom thanks the media

In an appearance before the Texas Daily Press Association, the mother of David — "bubble boy" who died earlier this year after living virtually his entire life inside a germ-free plastic tent — thanked the press for keeping her family's name secret.

David's mother, identified at the summer meeting only as Carol, told the Aug. 7 meeting that the news media's consideration allowed "our family our privacy and our time to grieve."

"There was virtually no intrusion and David's death was with much dignity," she said.

The story of David, who was born without immunity to disease, was told periodically in the news media throughout his life.

A way for newspapers to combat the direct mail threat



By M.L. Stein

The Big Valley Distribution Co. in northern California believes it has found a way to beat back the threat to newspapers from direct mail advertising.

The answer, according to Glenn Powers, the company's marketing director, is a membership arrangement that schedules and issues insertion orders for preprints in 10 papers ranging in circulation from the 3,000 *Gustine Standard* to the 300,000-plus *Sacramento Bee*, whose parent firm,

McClatchy Newspapers, owns Big Valley.

In a presentation at the California Newspaper Publishers Association meeting in San Francisco recently, Powers claimed that preprint networking was "virtually non-existent" until 1984, when Big Valley was formed with six papers.

To his knowledge, he said, the only similar operation is in St. Petersburg and Tampa.

"We feel we're at the leading edge of a concept that is developing into a significant newspaper marketing tool," Powers stated.

Big Valley's sales volume went from \$569,000 in 1984 to \$12,608,000 in 1988 and is growing, he reported.

Powers said his company is offering advertisers more than 700,000 paid circulation and a half-million TMC distribution — all with one contact, one rate and one invoice.

Besides the *Bee* and *Standard*, Big Valley has signed up the *Reno* (Nev.) *Gazette-Journal* and California papers, the *Stockton Record*, *Fresno Bee*, *Modesto Bee*, *Visalia Times Delta*, *Lodi News Sentinel*, *Tracy Press* and the *Placerville Mountain Democrat*.

As a sales agent working on a fee basis, Big Valley this year will generate newspaper preprint charges in excess of \$1 million a month. Powers stated.

He predicted the McClatchy pro-

Amtrak executive praises newspapers

No other medium does a better job of conveying timely, pertinent information to a local audience than the daily newspaper, according to Bill Norman, executive vice president of Amtrak.

Speaking at a luncheon meeting of the New York Chapter of the Newspaper Advertising Sales Association, Norman explained that each part of Amtrak's media mix is important: local newspapers convey significant local information; television does an effective job of creating and enhancing image; full-color magazine can create image and convey some information; and radio can be used to target a specific audience and reinforce messages in other media.

Amtrak places most of its newspaper advertising in the 33 local markets that constitute its major share of revenue and ridership, Norman said, adding that the newspaper buy is often extended for national coverage, using local newspapers for ads containing local train information since Amtrak's product varies from market to market.

Amtrak has continued to increase its expenditures in American newspapers, with a 40% increase in 1987 over 1986, another 43% increase in 1988 and 50% on the books for 1989, he noted.

The look of Amtrak advertising in newspapers has changed, switching from photographs — because reproduction is not consistent — to sleek, "supergraphics" using bold lines and modern illustrations. These supergraphics have been so successful, according to Norman, that the company is considering utilizing them for its magazine ads.

"We feel we're at the leading edge of a concept that is developing into a significant newspaper marketing tool," Powers stated.

"We hold sales agreements with the newspapers for placement preprints in their publications," he explained. "We schedule and issue insertion orders to each paper monthly. The newspaper bills our office for all preprints and we bill the advertisers on a monthly basis."

According to Powers, the system offsets the high cost of direct mail, the "questionable accuracy" of mailing lists and the lack of their flexibility, and the necessity of dealing with printers, list firms, labeling companies, numerous account reps and a multitude of invoices.

"Since our beginning, we have worked with one simple objective: to protect the newspaper franchise against erosion of preprint dollars to alternate vehicles," Powers added. "We are . . . a sales program designed by newspaper people to serve the needs of newspapers and advertisers . . . with a simple, easy-to-use package."

Many advertisers are taking the same view, he said. He cited, as an example, Levitz, a large furniture store chain which, with the exception of Christmas and Thanksgiving week, had not used area newspapers for eight years. Now they are buying nine papers in the Big Valley organization.

Other advertisers include Carls Jr., Pizza Hut, K mart and Payless drug stores.

gram is the beginning of similar newspaper programs on the West Coast and across the country.

He noted, however, that a significant factor for Big Valley is that it represents a nearly contiguous marketing area in central California and Nevada. It is possible for anyone to form a group, he said.

Pulitzer reports net income hike

The Pulitzer Publishing Co. reported its fourth-quarter net income in 1988 increased 35.1% to \$7.7 million, or 73¢ a share, compared with \$5.7 million, or 55¢ a share, a year earlier.

Revenue in the quarter increased \$106 million from \$99.3 million.

Net income for 1988 rose 28.1% to \$19.6 million, or \$1.88 a share, from \$15.3 million, or \$1.46 a share, the year before. Revenues for the year rose to \$391 million from \$367.3 million in 1987.

Cox sells tv station

Cox Enterprises Inc. has agreed to sell its independent television station in St. Louis, KDNL, Channel 30, to Better Communications Inc. for an undisclosed sum.

Wit

By M.L.

A writer juana grow situation in where he so in refusing to growers.

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old action can meet direct-mail threat to preprints

By Eugene C. Patterson

Despite all that's been written about new information technologies and their implications for print media, a more immediate challenge to newspapers is not electronic, in my view. It's old-fashioned. It started five or six years ago when big advertisers like



K mart, Sears, Penney—the big national advertisers with stores all over the place—began a trend to pull their advertising out of the run-of-paper and print it separately en masse somewhere on a press that does beautiful color work. Then they ship those preprints—sections, tabloids, broadsheets—by rail or truck to newspaper plants all over America and use us as envelopes simply to hold these preprints.

Eugene C. Patterson

You've seen them. They fall out of your paper in your lap on Sunday morning.

That's troubled me, and it's troubled everybody I know in the news business, because instead of having those advertisements as integral parts of newspapers around which the news and other editorial material are wrapped, these advertisements have become separate. But you can see the advertisers' reasons.

First, newspapers didn't do their job in providing quality print-

If you took the same ad and you sent it out to a thousand different newspapers, you got a thousand different qualities of printing. Advertisers said, "Why should I pay this amount of money when some of these papers are doing just a terrible job of reproducing my ad?" And because we weren't doing uniformly good work, they decided to go to printers who could, and to ship us the finished work.

Second, because they had these multimillion-copy press runs, they could get a volume discount.

You don't have to go to business school to learn that the way to make a profit is to do something better and faster and cheaper. If your competitor is doing it, he's going to dominate.

So we face the challenge of the preprints. And that challenge has moved a little further. Suddenly, some big advertisers are saying, "Why in the world are we shipping these preprints down to the St. Petersburg Times or the Indianapolis Star to let them tuck them into their papers and deliver them to their subscribers when not everybody in town subscribes to the paper? We want total market coverage. The way we're going to get it is either to put these ads in a shopper, that little free thing that's thrown on your lawn—you don't especially want it, but there it is—or to mail them third-class in something called direct mail."

The U.S. Postal Service—that's a tough competitor. It has a huge budget and can move costs around from one item to another

so that you don't really know what third-class mail should cost. It's a shell game. Sure enough, a little while ago USPS lowered third-class rates for users who presort the mail by postal carrier route. The Postal Service brought third-class rates down to a level that many advertisers decided is cheap, and they said, "Hey, we're going to hit every house in Indianapolis or St. Petersburg if we simply let Advo-System—a big company that's in the business of sticking things in envelopes and mailing them to your house—handle it."

That's now happening. In the Middle West, quite recently, K mart told every newspaper in several states that had been carrying their preprints, "We're going to give these ads to Advo and see what happens."

Then Sears announced that the preprints that the St. Petersburg Times had been carrying on Thursdays for a very long time were going to be turned over to direct mail through Advo because Sears felt its rate was lower and coverage was total.

When it did, we went to Sears and said, "Let's test this matter. We have confidence that we are a greater advertising medium than direct mail. We'll just point to right field like Babe Ruth and bet you we'll hit a home run across it. We will send about 30 interviewers from our research department to six exits each at three of your biggest stores on the west coast of Florida, and over an eight-day period we will interview people as they leave those stores. You'll be putting ads in the St. Petersburg Times even as you mail that preprint. So we're going to ask them, 'Did you see an ad in your mail or in your newspaper that influenced you to buy the merchandise that you have in your arms?'"

Sears welcomed this, because it wanted to know the result too.

So instead of cowering, afraid that we were losing business forever, we decided to be bold enough to bet that we're the best. We sent the interviewers out, and more than 5,000 people were interviewed. We determined as they came out of the store that they bought about \$180,000 worth of merchandise over the eight days. Twenty-five percent of the purchasers said they had seen the Sears ad for the items purchased. From that 25 percent who bought as a result of the ads, we determined that the Times had outperformed direct mail by 8 to 1. We demonstrated this conclusively to Sears. That, together with a volume discount—we cut our price—resulted in Sears' announcing to Advo that it was dropping direct mail as of Nov. 1 and coming back as a preprint insertion of the St. Petersburg Times!

I think this story contains the answer for newspapers. We're under challenge in the marketplace. First, we've got to have confidence in what we sell. We have great reader loyalty. We have people accustomed to receiving advertisements and reacting to them in newspapers that they come to trust and feel are a part of their home. Second, if we haven't printed ads well enough to keep them on our presses, we need to get presses and learn printing procedures that will reclaim those ads from preprints. Finally, if our price is out of line, we've got to get that price back in line. After all, this is a free enterprise country, and you can't blame an advertiser for looking for the best deal he can get. □

Patterson is president and editor of the St. Petersburg (Fla.) Times. Article is excerpted from remarks he made Sept. 6 at the Indiana University School of Journalism.

Executives answer direct mail

What are newspapers' answers to shared-mail competition?

Establish a quality total-market-coverage program. Hold down advertising rates. Get close to users of direct-mail services. "And short of that, I would pray a lot and talk to Dr. Billy Graham."

With those suggestions, John R. Harrison of The New York Times Co. launched the clinic on shared mail, an advertising medium that in the past five years has grown into a major newspaper competitor.

Harrison, vice president of the Times Co. and president of The New York Times Regional Newspaper Group, said New York Times papers in the South are "losing more than \$3 million a year" to shared-mail competition. "We take the shared-mail threat very seriously," said Harrison, who moderated the clinic.

Speakers were Vance L. Stickell, executive vice president/marketing of the Los Angeles Times; James W. Hopson, publisher of The Middlesex News, Framingham, Mass.; and Sheldon L. Greenberger, vice president and director of advertising at the News and Sun-Sentinel of Fort Lauderdale.

Stickell described the Los Angeles Times' "Selective Market Coverage" program as having come from "humble beginnings" in 1982 to being "a prime coverage vehicle, enabling us not only to keep pace with a dynamic market, but also to develop new competitive leverage in an extremely challenging area of many media."

SMC is a preprint delivery program offering two basic options. "You can run a preprint in the Times, combined with a preprint in the mail (delivered in a Times shared-mail package), or, you can run an ad in the Times and we can mail (via shared mail) your preprint," according to Stickell. "And you have the option of running your preprint or ad on any day of the week.

"What's more," he continued, "your ad can appear anywhere—run-of-paper display, Home magazine, TV Times, classified or classified display."

The program has the capability of reaching 80 percent of the 3.5 million households in the Times' coverage area of Los Angeles and Orange counties and parts of Ventura and San Bernardino counties. It can reach 100 percent of single-family dwellings and 30 percent of apartments.

The area is broken up into 109 subscriber "grids." "Mail distribution splits" within selected grids also are available, resulting in 170 geographic selections. Potential coverage in individual grids ranges from 75 to 98 percent, Stickell said.

"With this customized plan, the advertiser can select one or a combination of areas to best cover the desired market segment, or he can buy the entire 170 areas to attain maximum market saturation."

Since its inception, SMC has delivered more than 1 billion preprints, Stickell said. In 1984 alone, it delivered 503.7 million copies and served an average 60 advertisers per week.

Stickell reported that in the first quarter of this year, piece volume increased 32 percent over the same period in 1984 and revenue rose 44 percent.

Late last year, the Times broadened its non-subscriber reach program with introduction of two "solo mail" services. One is called "Zip-up," using a non-subscriber resident list, and "Zip-over," using a list of non-subscribers who are charge customers of a particular advertiser. "Both programs net us a pure profit surcharge without any capital outlay," Stickell said.

However, not all total- or selective-market-coverage programs are as successful, at least in the beginning.

Hopson of The Middlesex News said his newspaper launched a TMC publication in fall 1983, but it was "all wrong." Lacking a "product manager"—an essential ingredient to any successful TMC program, he said—it just "didn't work well" and lost money.



Two-year-old Grace Northrop, daughter of Thomas P. Northrop of Observer Publishing Co., Washington, Pa., and her mother, Peggy, meet Popeye arch-enemy Bluto at the King Features Syndicate reception.

The News improved the weekly product with good editorial material including cover stories on consumer and other topics. It cost "some money" to turn the operation around, Hopson acknowledged, "but the results were real good."

Real estate, automobile and auto-leasing ads have been particularly successful in the publication, he said. Selling single-sheet ads carried as preprints in the TMC publication also has been a success. Hopson said the availability of such pieces "opens up advertising possibilities that the sales force didn't have before."

The newspaper benefits because single-sheet ads are inexpensive to produce and mail, but they yield proportionately high revenue, he said. Advertisers benefit from having a relatively inexpensive yet effective means to reach targeted customers.

Among good prospects for single-sheet advertising could be small restaurants and muffler shops, Hopson said.

Competing direct-mail firms, in fact, already have had much success selling single-sheet advertising to small businesses, he noted.

Single-sheet ads—"mini-mail"—also is part of the TMC strategy at the News and Sun-Sentinel, said Greenberger. He told how his company started a shared-mail TMC program to help compete against direct-mail competition and to support his company's existing direct-mail services. Those include the Gold Coast Shopper and a mail house called Gold Coast Labeling.

In setting up a TMC program, Greenberger recommended "some ammunition for the battle" against mail competitors: Keep preprint rates competitive on a cost-per-thousand basis; offer frequency discounts; consider counting preprint lineage toward contract fulfillment; and consider forming a network with other newspapers to make it easier for advertisers to buy newspaper preprint delivery services.

Greenberger suggested that newspapers check their preprint profitability. It is "not atypical" to find newspapers making high profits on their preprint business, he said. "There is room, perhaps, to take a step back (from current price levels), at least for the time being."

The Florida executive also noted a new trend on the mail front. "An awful lot of money we're losing to direct mail is not to shared mail," Greenberger said, but to single-sheet mail that retail stores are sending directly to charge customers. □

ANPA cites BOC concerns

ANPA has expressed concern to U.S. District Judge Harold H. Greene that the regional Bell operating companies could "inadvertently" become information publishers under Greene's recent order giving the BOCs a limited role in providing electronic information services.

Among other things, Greene's March 7 order allows the BOCs to offer database storage and electronic messaging capabilities [presstime, April 1988, p. 53]. ANPA urged Greene to be aware of the possibility that the BOCs might seek to combine those two functions into services that involve

BOC manipulation of information content.

Thus, the Association said, if the BOCs were to provide consumers with access to stored databases via electronic messages, "the companies would be engaged in prohibited electronic publishing activities." At ANPA's urging, Greene has prohibited the BOCs from entering electronic publishing.

In a separate March 25 filing, ANPA asked Greene to clarify or amend his order to ensure that the BOCs cannot use their billing arrangements with electronic-information service providers to acquire a financial interest in those services. □

Committee to work on circulation, classified projects

The ANPA Telecommunications Committee will work with two other newspaper-business organizations on telecommunications projects involving circulation and classified advertising.

The committee will work with the International Circulation Managers Association to increase understanding of the ways in which telecommunications can improve newspaper circulation operations.

The committee will work with the Association of Newspaper Classified Advertising Managers to make newspapers aware of ANCAM's technical guidelines for "remote

entry" of classified ads via personal computer. The guidelines will be released after approval by the ANCAM Board of Directors at the organization's annual conference June 26-30 in Hilton Head, S.C.

At its March 17-18 meeting in Washington, D.C., the ANPA committee also voted to recommend to the ANPA Board that the Association assist the International Press Telecommunications Council in developing international standards for digital transmission of photographs and endorse a reorganization plan proposed by the IPTC leadership. □

Service options workshop set at ANPA/TEC

Managing telecommunications systems at newspapers and the various service options available are topics of an ANPA workshop June 10-11 at the Georgia World Congress Center in Atlanta. Discussion will range from "voice mail" to telemarketing.

"Connections III: Putting It All Together" will end the day ANPA/TEC '88 begins, and workshop participants will be offered a private tour of the exhibit floor for a closer

look at state-of-the-art telecommunications systems.

Registration is \$350 for ANPA-member newspaper executives signing up before April 30, and \$425 for those signing up later. The amount includes the \$45 registration fee for ANPA/TEC '88. For information, contact the ANPA Telecommunications Department at The Newspaper Center, Reston, Va., (703) 648-1138. □

TELECOMMUNICATIONS NOTES

• Trintex, the joint venture between IBM and Sears, Roebuck and Co., plans to make its "Prodigy" videotex service available by this fall in at least three cities: Atlanta, Hartford, and San Francisco. Unlimited access to the service via personal computer will cost \$9.95 a month. Information, grocery shopping, travel services

and banking are among the offerings. Information suppliers include USA Today and Dow Jones & Co. [presstime, Jan. 1987, p. 44].

Brian R. Ek, communications manager, said Prodigy is not an electronic newspaper. "It is intended to be a utility that will help people accomplish tasks quicker, easi-

er and more conveniently."

• The Federal Communications Commission has decided to scrap its plan to charge "access fees" for connection to local telephone networks to companies providing "enhanced" telephone service. ANPA had opposed the plan [presstime, Dec. 1987, p. 38].

Newspapers expect new rates will bring more ad preprints

Newspaper executives are continuing to analyze the impact of new postal rates that took effect April 3.

Many believe they may lure some additional preprinted-advertising volume from direct mailers because of the 21-34-percent rise in third-class rates. And publishers of small dailies and weeklies are rejoicing over an unexpectedly small price increase for second-class deliveries within the country of publication.

"We expect to pick up more inserts," said Bill Allbrant, insert sales manager of The Orange County (Calif.) Register.

Webster Hawkins, publisher of the Osawatomie (Kan.) Graphic and president of the National Newspaper Association, also said he expects that "in our part of the country, newspapers are going to carry more preprints."

On the other hand, higher third-class rates will have an adverse impact on newspapers using that mail class to deliver total-market-coverage publications. Some executives said they are shifting from third-class to carrier delivery to avoid having to pay a much steeper postal bill. Allbrant, for example, said the Register will phase in carrier delivery for his newspaper's 390,000 TMC pieces that currently are mailed to 48 ZIP codes.

Some other newspapers said they plan to keep their TMC publications in the mail but will be forced to pass along all or part of the higher postage rates to advertisers.

On the rate increase of just 3.2 percent imposed for second-class, in-county deliveries [presstime, April 1988, p. 52], NNA's Hawkins said it is "a major boon to community newspapers." Smaller weeklies and dailies, many of which do not have their own carrier force, had expected an 8-9-percent increase, as had been recommended by the Postal Rate Commission.

USPS spokeswoman Jeanne O'Neill said the commission based its recommendation on the assumption that Congress would not provide "revenue forgone" funding for the current fiscal year 1988. But Congress did, in fact, allocate money—\$517 million. The governors took that amount into consideration and therefore were able to keep the increase small, O'Neill said.

Also in the wake of the new rates, Postmaster General Anthony Frank denied the Third Class Mail Association's request that the Postal Service initiate a rule-making to remove the postal monopoly as it applies to third-class mail. □

The prosperous South

Southern newspapers stick together in the battle to combat direct mail's threat to advertising revenues

Southern newspapers, their publishers will tell you, face two problems: one nice and the other serious.

"It's nice to have problems from growth," incoming Southern Newspaper Publishers Association president Ruth Sulzberger Holmberg says of the first problem.

Located in a region benefiting from the continued population migration to the Sunbelt and an economy that outpaces the rest of the country even during a recovery, Southern newspapers occasionally find themselves running to catch up with their own good fortune.

But newspapers are not the only medium that has noticed the Southern market — and that's the other, serious, problem publishers face as they gather for SNPA's 81st annual convention in Boca Raton, Fla., Oct. 14-17.

"One problem we do face — and it's not just in the Southern region —

is the growth of preprints, direct mail and (shared mail)," Tom J. Hardin, general manager of the *Alexandria (La.) Daily Town Talk* said in an interview.

"Advo (Systems Inc.) has made

"Southern newspapers seem to have a more fraternal view of each other than any other region I've seen," Eskew said.

some inroads into the Southern region," he said.

"We hardly have a meeting in which we don't discuss the competition from direct mail," added SNPA executive director Reed Sarratt.

If Southern newspapers are not alone in facing the strong direct mail competition, they are in the forefront

of efforts to fight back, many SNPA publishers say.

"I feel pretty good (about Southern newspaper efforts to combat direct mail competition)," said Rhea T. Eskew, president of Multimedia Newspaper Company, which publishes 13 dailies in the SNPA region.

"I don't feel complacent, but I think a publisher who works at it can overcome the threat," he added.

As an example, Eskew, chairman of the SNPA board of directors points to Multimedia's Greenville S.C. papers, the *News* and the *Piedmont*.

"Before it was too late, we undertook in an aggressive way to fight this threat by offering anything the advertisers wanted: ROP, preprints, zip code zoning, or zoning even down below zip codes at the census tract level," he said.

"We can offer advertisers \$20,000

discrete address

Developing a... allowed the Daily its own against tion, general ma

"We've had years or so. It's *Advertiser*, subscribers, and the week's local fied and other a said.

In addition, t... "five or six differ ing news," Hard Journalism edu a prime concern paper publishers

At a SNPA s... Atlanta this July blasted journalis ducing graduate motivated, under ally ill-equipped arts of reporting

"What I wish be formed amo would agree to th ates for two or th told a panel of jo

"I suspect we co well without your years, and I suspe dards for running

Low-key publisher takes the SNPA helm

By Mark Fitzgerald

When *Chattanooga (Tenn.) Times* publisher and vice president Ruth Sulzberger Holmberg talks about her upcoming term as president of the Southern Newspaper Publishers Association, it's with the same quiet and self-effacing manner she's likely to use discussing any of her numerous educational, charitable and cultural activities.

"SNPA is an old organization, of course. Fortunately, there's not a lot of damage one person can do in a term," Holmberg said, laughing quietly in a telephone interview from Chattanooga.

"The organization has a strong sense of purpose. I don't intend to rock it," she added.

It's a typically modest statement from a woman who brings a rich journalistic legacy to SNPA, as well as an abiding interest in education and the arts.

"I really have a very boring vita," she said, despite all evidence to the contrary.

The granddaughter of Adolph Ochs



Ruth Sulzberger Holmberg

and the sister of *New York Times* publisher Arthur "Punch" Sulzberger, Holmberg began her journalism career at the *New York Times* paper before she had yet graduated high school.

A 1943 graduate of Smith College, Holmberg served overseas with the

American Red Cross in England, France and Germany during World War II.

"It was in the Red Cross that I met a man from Chattanooga, married him and moved to Chattanooga. I've been here since the end of the war," she said.

Almost immediately, Holmberg went to work on the *Chattanooga Times*. She was a music, art and theater critic for nearly ten years, then served as director of special services and vice president.

Holmberg was named publisher in 1964 — and soon underwent a baptism by fire.

In 1966, the evening *Chattanooga News-Free Press* moved to discontinue an operating agreement it had had with the morning *Chattanooga Times* since 1942.

News-Free Press owner Roy McDonald started a Sunday paper to compete with the *Sunday Times* and for a period the *Times* published an afternoon edition.

"Those were some very difficult years of head-to-head competition," Holmberg recalled.

By 1976, the Times end of the con age began to drop Worse, it bega

money, losing \$5 years from 1976 to audited financial s Justice Depart Division memo.

Both papers publishing in Ma Times firing department emp

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Competition of cerns Holmberg w state of Southern "If there's a nu

I'd say it is compe pers, though it isr (in the South) th The whole (share also big," she sai

EDITOR & PUBLISHE

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STANLEY BUSINESS LIBRARY

discrete addresses," Eskew added.

Developing a TMC product has also allowed the Daily Town Talk to hold its own against direct mail competition, general manager Hardin said.

"We've had ours for about six years or so. It's called the *Review-Advertiser*, is sent to non-subscribers, and includes the best of the week's local articles plus classified and other advertising," Hardin said.

In addition, the daily paper has five or six different systems of zoning news," Hardin said.

Journalism education has also been a prime concern of southern newspaper publishers.

At a SNPA symposium held in Atlanta this July, chairman Eskew hosted journalism schools for producing graduates who are "under-motivated, under-trained and generally ill-equipped practitioners of the arts of reporting and writing."

"What I wish is that a conspiracy be formed among publishers who would agree to hire no J-school graduates for two or three years," Eskew told a panel of journalism educators. "I suspect we could get along pretty well without your graduates for a few years, and I suspect some higher standards for running the course might be

demanding as a result."

Eskew's blunt talk is something of a hallmark of SNPA.

When editorial committee chairman W.E. Chilton III, chairman of the *Charleston (W. Va.) Gazette*, reported on a panel his committee ran, he spared no feelings, criticizing one speaker for "velvet-gloved criticism" and another for being "pedagogical and, therefore, dull."

"An SNPA convention used to be considered a most wonderful house party," incoming president Holmberg said.

Within the organization, however, feelings are warmer.

"Southern newspapers seem to have a more fraternal view of each other than any other region I've seen," Eskew said. "We become friends with each other and therefore are helpful to each other through the SNPA."

"An SNPA convention used to be considered a most wonderful house party," incoming president Holmberg said.

Just as Southern newspapering has

the Times was on the losing side of the competition. Its ad revenue began to drop below its new rival. Worse, it began to hemorrhage money, losing \$2.6 million in four years from 1976 to 1979, according to audited financial statements in a 1980 Justice Department Antitrust Division memo.

Both papers returned to joint publishing in May, 1980, with the Times firing 110 production department employees.

It was kind of swimming against the stream," Holmberg said of the competitive years. "Just as everywhere else was getting together, we were splitting apart."

"Editorially the papers are independent, and very, very ideologically opposed, really. There are not many communities that have two independent voices . . . and being connected in business was the way we could continue." Competition of another sort concerns Holmberg when she looks at the state of Southern papers today.

"There's a number one problem, and that is competition with the shops, but it isn't a bigger problem (than any other place). The shared mail problem is significant," she said.

Several recent SNPA conferences have concentrated on strategies to fight direct and shared mail advertising. The Newspaper Advertising Bureau's preprint network experiment is being conducted among SNPA member-newspapers in North Carolina.

Holmberg identifies a broader, if

Though Holmberg says she will not "rock the boat," there are indications SNPA will take a higher profile under her presidency, says executive director Reed Sarratt.

more long-range problem, in simple terms: "America is going out for breakfast."

"Lifestyles are changing," she explained. "And we will have to be just as current as we can be and as thorough as we can be."

Though Holmberg says she will not "rock the boat," there are indications SNPA will take a higher profile under her presidency, says executive director Reed Sarratt.

"One of the interests she has is in

been changed by the region's growth, so have SNPA activities been changed by the organization's growth.

This year, SNPA added 19 members, including two papers from Albany, N.Y., to boost their membership to 438, the largest since 1981.

That's led to increased work by SNPA's six standing committees, which traditionally carry out the bulk of the organization's activities.

In 1985, for example, SNPA will run 14 seminars — aimed for the first time at all newspaper departments.

"From the (SNPA) Foundation's origins until now, all seminars have been designed for news/editorial staff members. Next year, seminars will be offered under the headings "Managing the Circulation Department" and "What is Good Promotion?" Steed Rollins, chairman for the *Durham (N.C.) Morning Herald and Sun*, wrote in this year's annual report.

And even this year's convention site in Boca Raton, Fla. symbolizes the growth of SNPA and Southern newspapers.

"In general I see next year, calendar 1985, as being a very good year for Southern newspapers. This is still a growing area of the country, and Florida, of course, is almost unreal the way its growing," Multimedia's Eskew said.

having SNPA's voice heard," Sarratt said. "She has said that we have sort of sat back and had others speak for us."

"One thing that may happen while she's president is that SNPA will begin issuing position papers of interest to newspapers. That would be a change," he said.

Holmberg herself said the organization of necessity has become "bigger and more serious."

"I remember when SNPA conventions were like wonderful house parties," she said. "I'm not saying they were frivolous, they weren't, but they changed like everything else."

Holmberg is not the first woman to head up SNPA — Ovetta Culp Hobby formerly of the *Houston Post* had that honor — but she has been a leader in many of her activities.

Two of Holmberg's civic concerns — reading and education programs — dovetail with her broader concerns about newspaper readership.

"I'm involved with the RIF — Reading is Fundamental — program in Washington, which is doing very good work, and ought to be a concern of all of us in this business," she said.

Under the program, youths are provided with books they keep, with an

(Continued on page 22)

Beating back the threat of marriage mail

Preprints have been a blessing for most newspapers. In 1982, they accounted for 10.5% of retail advertising for American dailies. But the marriage mail concept has threatened this source of newspaper revenue.

In St. Petersburg, Florida, the *Times* and *Evening Independent* fought back against marriage mail and was successful.

In 1982, Sears ran over 132,000 column inches or 770 pages of space in the St. Petersburg dailies. Every Thursday and Sunday in 1983, it ran a 16-20 page insert.

The later practice stopped in June of 1983 when Sears cancelled a previously scheduled Thursday insert. Sears had decided to instead send the circular via the mail through ADVO. If the test went well, Sears would run one or two ADVO mailings a month for the rest of 1983 and probably continue this in 1984. Sears was looking to reduce its delivery cost per thousand inserts.

During the week of June 30, 1983, ADVO was contracted to mail

946,000 inserts to a 6-county area on Florida's west coast. Compared to its usual distribution in newspapers, Sears felt it would receive 34% more distribution for only 11% added cost.

During this test, however, Sears chose not to rely entirely on ADVO mailings. In addition to that, Sears decided to run ads in the St. Petersburg newspapers.

See related story on page 9.

As St. Petersburg Times and Independent ad director Leo Kubiet told ANPA: "There were newspaper ads and direct mail both appearing at the same time. The stage was set for a test."

Sears agreed to cooperate with the St. Petersburg newspapers and to permit them to interview customers as they left three major mall stores in two counties.

"Our survey team interviewed 5,485 respondents over eight days," Kubiet said. The interview consisted of 17 questions, aided and unaided.

"It was most important that we

conducted interviews during the entire eight-day test period," Kubiet said. "This enabled us to suggest the day-to-day pull of advertising and to suggest which days might be peak sales days in Sears stores."

The newspapers offered to make the results available to Sears.

"We took a risk doing this," said Kubiet, "because a sophisticated advertiser like Sears would be able to compare the results of our data with their own sales figures. If there were discrepancies, our test would be discredited."

The most important result was the pattern of sales by day, Kubiet said. "We wanted to prove that newspaper advertising is more effective than direct mail. This was the prime factor on which Sears judged the validity of our test." Also important was which ad drew the customers into the Sears stores — newspaper ads or the direct mail piece.

"The study showed that newspapers were eight times more influential in bringing Sears customers into the store," Kubiet said. "The ADVO direct mail piece was supposed to be received on Tuesday and Wednesday. Our data confirmed that direct mail had its greatest effect on those days."

However, overall, 24% of the respondents said they purchased merchandise they saw in a Sears ad in the newspaper, while only 3% bought merchandise that was advertised in the mail piece, Kubiet said.

"Furthermore, Times-Independent readers made up 79% of Sears customers and they contributed 83% of the store expenditures," he said.

"Sears was impressed," Kubiet added, "but they were not ready to totally brand direct mail as ineffective. Given time, they said, direct mail could grow in effectiveness. But, we asked, does Sears want to go through the time and expense of retraining Florida shoppers? Especially when newspapers had been proven so effective?"

The Sears regional manager, according to Kubiet, admitted that newspapers may have greater pulling power than direct mail, but was still concerned with cost per thousand.

"At this point, we offered a rate incentive to extend our volume discounts in 1984 so that Sears' net costs would be lower," Kubiet said.

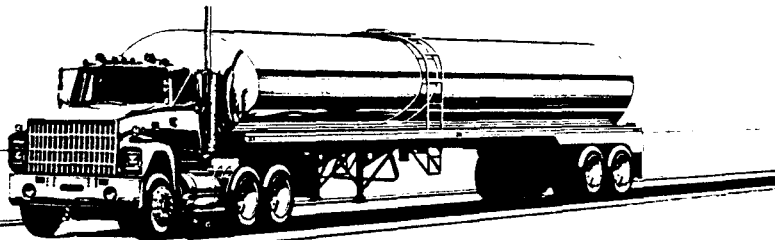
"We felt this was something we

(Continued on page 54)



Answer:

**LIQUID EGGS,
BEING TRANSPORTED TO A
WHOLESALE BAKING COMPANY.**



For the question see page 27.

And whenever you have questions about the American trucking industry, call (202) 797-5236.

Trucks. The driving force behind American business.



The American Trucking Associations Foundation, Inc., 1616 P St., N.W., Washington, D.C. 20036

UPI executives tout their services

United Press International is signing up new business this year at twice the rate of last year, co-owner Doug Ruhe told publishers at the ANPA convention in Montreal.

Speaking at UPI's annual luncheon May 1, Ruhe said UPI last year signed new contracts worth \$30 million and is "operating at double that rate in 1984."

Ruhe also told publishers that UPI now has 2,400 satellite stations installed with "1,000 more on the way." The satellite installations have enabled the company to "stay ahead of that crunching burden" caused by the AT&T breakup and the anticipated increases in telephone costs.

UPI is taking steps to improve its maintenance service, Ruhe said, and is aiming for "a straight four-hour service time."

And UPI is "shooting for" the introduction of "digital pictures" by 1985, he said.

Maxwell McCrohon, UPI's editor-in-chief, told publishers the news service intends "to be the competitive force against which other news services measure themselves."

Saying that UPI will offer subscribers "quality, depth and specializa-

tion," McCrohon said "we believe depth is often more important than brevity."

McCrohon noted that, in addition to UPI's recent introduction of monthly, in-depth interviews with a variety of world figures, the news service has begun "UPI Context" to follow major stories.

Marriage

(Continued from page 42)

could do because of improved production technology. And it was the right way to meet the needs of this account and others who might be lured by the siren's call of marriage mail.

"Sears was our top advertiser. We wanted to retain their business. We installed two new inserters and we put our advertising preprint rates on the most competitive posture possible."

Clearly, Kubiet said, this one test in one market will not stem the tide of direct mail.

But, he added, "I would suggest that now is the time for every newspaper to make such efforts to improve its product, not only for its readers,

but also for its advertisers.

"Advertisers are now looking at newspapers as a group," Kubiet said. "And some have been found wanting."

"If every newspaper does not reach for the highest standards, then the many will suffer for the few since our fates are so intertwined."

Kubiet offered this advice to other newspapers:

- Reverse a pattern of declining penetration.

- Offer new, alternative distribution methods, including complete or near saturation market coverage.

- Make every effort to offer product at a competitive cost per thousand in comparison with alternative media.

- And, because this is the complaint most often heard by those who are using direct mail, newspapers must improve the look, printing and quality of their product.

Co-op

(Continued from page 36)

have the time to make the personal sales call, whether to your retailer in the market or to the media in your market."

Thirdly, many retailers in these markets never hear of the program. Fourth, a survey of smaller market newspapers indicates that co-op managers at these newspapers see an average of about five or less, manufacturer or distributor reps per month, he said.

Finally, "communication at this level gets exceedingly thin, very thin."

"Many retailers buy over the phone or reorder over the phone. Is there anyone talking about co-op when this purchase occurs?"

Hennessey suggested remedies to combat these problems, such as supplying actual accrual amounts on invoices. "Arrow shirt does," he said.

"Set up simple co-op plans, as I said before, make your dealer ad plan simple and localized."

Use the new SAU (standardized advertising unit) and the unlimited accrual approach, which is a program based on how much the retailer promotes the product, not necessarily on the accrual of how much the product was purchased.

Prepare small space ad slicks and allow competing products in your ad, he advised. Use the split billing format, he continued, "half of the bill, if you have a 50/50 program, sent directly to you or your audit service, the other half to the retailer in the market." And last, Hennessey said, teach your reps how to call the newspaper as opposed to stopping by.

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if you take your politics seriously ...

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We provide all the facts and figures, the outlooks and analyses. We keep you informed on party rules and platforms, on who's running, who's ahead and who's paying for it. We give you the prospects as well as the perspective. We cover every race for governor, the U.S. Senate and House of Representatives.

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Political writer Theodore H. White calls CQ "the one indispensable tool in covering American politics."

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EDITORIAL CARTOONS: Church directory illustration, movie reviews, comics, humorous cartoons features for the weekly. Mark Morgan, Inc. PO Box GA 30264; (404) 253-5

ENTERTAINMENT

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WEEKLY? Here's your copy of over 30 reader-waiting Crossword, astrology, TV personalities, antique care, health, cartoons, fiction. Write for FREE sample. URBAN FEATURES, P.O. Box AL 36691 or call 1717.

HEALTH

"Senior Clinic." Special on problems past middle age. Authoritative. Samples. Prizes INC. Box 307, Etobicoke, Canada, T5J 2J7; (416) 754-1111.

MONEY

"MORE FOR YOUR MONEY" weekly column and filling in consumer news. Mitchell S 13th, Temple TX 76768

MOVIE REVIEWS

WINI REVIEWS (Cartoon) Great for weekend section pages. Camera ready. Our 10th year. Cinema Charles Court, Middletown NJ 07141 692-4572.

REAL ESTATE

HOUSE CALLS-House Herald, 90 others. 6 years said "concise, entertaining real estate knowledge." 8th year. E. 18447, Rochester NY 14623-0230.

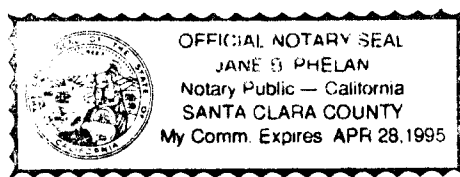
EDITOR & PUBLISHER

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This is Exhibit H to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

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Low cost ZIPPP Mail™ products.



ZIPPP Mail™ products deliver maximum results for minimum cost. They're our lowest price point single sheet pieces. Yet they give local retailers the opportunity to participate in high-powered shared mail programs.

It's a turnkey product line carefully refined over the years. Result: we can design, print and mail your message for less than you might think since we mail in bulk at 1/3 per piece the cost of traditional mail. And, at the same time, you get the speed, accuracy and targetability that only ADVO can offer.

These products have been highly successful in featuring a single traffic building item, clearance offers, and co-opable products.

Here are some of your options:

ZIPPP Card™—a 4 3/8" x 7 1/4" card.

ZIPPP Plus™—a 5 1/2" x 8 1/2" card.

ZIPPP Sheet™—a 7" x 11" sheet.

ZIPPP Reply™—a 5 1/2" x 11" sheet, with an optional perforation.

All ZIPPP Mail™ products are available to print on one or two sides. Ink color selections are made from a choice of ten standard ink colors.

Your ADVO sales representative can assist you in choosing the size, layout and format.

ADVO-SYSTEM, INC.

MARKETFINDER

MARKETFINDERSM

The computerized customer profile.



Now we can target your customers geographically and demographically with computer precision and speed. It's the amazing new MARKETFINDERSM—an incomparable new mapping and profiling system that helps you find your customers fast. The dramatic new software system translates hard data geographically by ZIP Code, demographically by color code. But MARKETFINDERSM does more than just target your customers. You'll be able to overlay various data sets to judge penetration vs. potential, and make more informed

decisions about the best way to spend your advertising dollar. It's an easy-to-understand visualization of precise computer readouts. MARKETFINDERSM is an ADVO exclusive, and no other system can match it for accuracy. Just as no other direct mail resource can match ADVO for getting the right message into the right people's hands—fast and cost-efficiently.

ADVO-SYSTEM, INC.

CC-111-11



Get them
where they look.

Why direct mail works better than other media.

Today's consumers lead busy lifestyles. Traditional advertising TV, radio, and newspapers — is no longer enough to reach the households you want. To ensure the market coverage you need, direct mail puts your message right in your customers' hands. The right people get it. Look at it, hold on to it, remember it, and act on it.

Make them come to you.

Every one of your customers has a mailbox. And every day, everyone looks through the mail. According to a Burke Marketing study, consumers actively look at and evaluate each piece of direct mail. In fact, the Gallup Poll says 75% of all Americans regularly open everything in their mailboxes.

Direct mail — now a leading advertising medium.

Direct mail, in recent years, has made a quantum leap. It is now a sophisticated, high-tech traffic and image builder. Direct mail leads the advertising industry in growth with estimated media expenditures of over \$18 billion in 1987.

The trend is toward mail. Nielsen Research Corporation reports that direct mail is now the #1 print vehicle for grocery store feature ads.

Consumers read mailed ads. A 1987 U.S. Postal Service study reveals that 70% to 90% of all third-class mail is opened at immediately or set aside for later reading, making mail the highest rated medium for attracting attention.

High readership leads to high recall.

A 1985 study done by J. Douglas Associates

preprint was 52%, compared to a 15% recall of the same preprint distributed in newspapers.

ADVO — the leader in direct mail.

ADVO is the largest direct mail advertising service in America — offering full-service capabilities, from targeting to printing to distributing. Consider these ADVO facts:

- Over 22,800 clients nationwide.
- Over 91 million households on our mailing list.
- Over 16 billion pieces of individual advertising handled yearly.
- 19 production facilities.
- Over 60 sales offices coast to coast, for local market focus and strength.

Targeting your market.

Tell us who you need to reach and we'll give you the audience you want. If you're not sure, we can help you identify potential customers. We're able to target your customers geographically and demographically. We can pinpoint a single ZIP Code or break out entire regions. This will allow you to concentrate your efforts right in your market.

Near-perfect market penetration.

ADVO delivers an astounding 98% penetration of those households in ZIP Codes you want to reach. Whereas newspapers, on

an average, only reach 20% to 50%. And unlike newspapers, you pay for only those households in your trading area and not for ones outside of it.

ADVO has a program that's right for you.

ADVO's shared mail programs are successful on local, regional and national levels, and can reduce the cost to as little as 1/3 the cost of traditional mail.

Marriage Mail:[®]

- Weekly program.
- Combines several retailers' advertising pieces.
- A single, customer-targeted direct mail package.
- Each advertiser has his own identity in the mailbox.

Mailbox Values:[®]

- Mailed at strategic times during the year.
- Shared mail package "wrapped" with coupons of leading brands.
- Tie in potential for local retailers and national manufacturers.
- Reaches over 47 million households.

ADVO — working harder for you.

Part of our job is to make your job easier. Because ADVO is a national company, you only need to work with one sales representative, whether you're buying single or multiple markets. And because ADVO's delivery is so consistently on time you can tie in direct mail with your key promotional periods, coordinate with other media, and really synergize your promotional efforts.

ADVO's helping more and more businesses get more for their advertising dollars — by putting their messages right into the

ADVO-SYSTEM, INC.™

Corporate offices: One Univac Lane, Windsor, CT 06095-2668
203-285-6212 or 1-800-246-0490

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Your own style in your own piece.



One of the great advantages of ADVO-System is being able to provide practically anything you need. Quality pieces that can tell your story simply and accurately.

Everything from a coupon to a circular to a catalog—in whatever colors and format you choose, depending on specifications, of course. Each piece stands alone to maintain the integrity of your individual identity. You can project

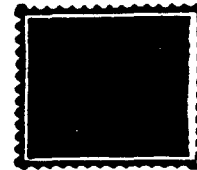
your company's unique look, style and statement with real creative freedom.

Or, we can distribute your own pre-printed pieces. No matter how you look at it, ADVO can deliver the kind of message you want to send to the households you want to reach.

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What we can do for you.



We're anxious to consult with you personally—to listen to your needs and objectives, and help you plan the direct mail strategy that will work best for your unique situation.

Share with us information on your primary trading area, or let us define it for you, by profiling your locations to determine those households most likely to purchase your product or service.

Let us help you develop a mailing schedule which best suits your promotion needs.

Our large, national network of 20 Graphics/Print departments provides complete advertising services from composition to printing to delivery.

Our creative artists are direct mail design experts experienced in producing successful, cost-effective advertising.

We nationally produce over 1,000 camera-ready mechanicals for ADVO direct mail clients each week.

We are experts in two-color printing, nationally producing over 100,000,000 pieces of two-color direct mail ads each week through a national network of highly specialized vendors.

Graphics/Print services meet the various and changing needs of small, medium and even national advertisers—such is the quality of our work.

No other system offers as much service, support and sophistication, just as no other system comes close to matching ADVO for reliability and performance.

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Why ADVO works like no other system can.



Twenty four million a day.

Sophisticated, ultra high-speed Swiss machinery in 18 plants across the country can fold, sort and insert some 24 million ADVO program packages in a single day.

Getting home on time.

Because of the large volume of mail ADVO generates, we work closely with the U.S. Postal Service. Our mail handling system allows us to bypass many of the steps that might slow down the processing of ordinary third-class mail. ADVO packages are bundled, weighed, posted and presorted in the precise order of each carrier route, then accepted at U.S. Postal facilities right on our site. Thus we are able to deliver your message home usually within one 72 hour period, and at the lowest cost available.

Check and Recheck.

After each carrier truck is security sealed and leaves a distribution site, the monitoring process continues. ADVO checks and rechecks local post offices by telephone to confirm and assure arrival and delivery times. Result: un-

precedented accuracy and punctuality for ADVO-System customers.

Professional one-step service.

A network of highly professional service reps keep clients informed of precisely what's happening at every step in the system from order processing, production, insertion and delivery. An account executive will be assigned to you, a link to your mail—to provide one-step service for reaching and penetrating virtually every household you want.

Always the ultimate list.

ADVO is the largest commercial customer of the U.S. Postal Service, and we fully use their list-updating system that's as close to fool-proof as possible. ADVO has the ultimate list encompassing some 91 million households in the continental United States.

In fact, the ADVO address list was used as a base for developing the mailing list for the U.S. Census Bureau's 1980 questionnaire mailings.

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CDNPA RESEARCH

NEWSPAPER INSERTS VS. DIRECT MAIL READERSHIP

The Courier-Journal, The Louisville Times have a problem with competition from ADVO Direct Mail in their region. In November 1984 the Louisville papers conducted a study of comparing the usage and image of newspaper inserts and direct mail in their circulation area. The study was conducted by an outside supplier C.J. & T. under the direction of Mark R. Schneider, Director of Corporate Analysis and Research.

The survey was done by telephone with 500 completed interviews with persons 18 years and older. The findings of the study are positive for newspapers. In chart one, 81% of total adults "sometimes or almost always read newspaper inserts." 88% of women readers and 73% of men readers "sometimes or almost always read newspaper inserts."

Chart two shows when newspaper inserts are usually read. 51% of women said they read the inserts before they read the rest of the paper. While only 23% of men read the inserts before they read the rest of the paper.

In chart three there is a comparison of those that shopped after seeing ads in newspaper inserts and ads in the mail. 69% of adults shopped after seeing ads in newspaper inserts, while only 43% of adults shopped after seeing ads in the mail.

Chart four compares the redemption of coupons received in the newspaper inserts and in the mail. 66% of the adults redeemed cents off coupons which were received in newspaper inserts. 62% of the adults redeemed coupons received in the mail.

Heavy coupon redeemers obtained more of their coupons from the inserts. For those adults who redeemed 7 or more coupons in the past 30 days, 43% came from inserts. Only 24% of the heavy coupon redeemers obtained their coupons in the mail.

Chart five shows that 85% of the survey respondents read newspaper inserts. Only 74% of the respondents read direct mail brochures.

In chart six the findings showed that respondents felt that the image of newspaper inserts was much stronger and more positive than direct mail advertising.

60% of the respondents found newspaper inserts more interesting to them. Only 13% found mail more interesting.

84% found inserts had a more complete assortment of ads vs. 9% for mail.

Mr. Schneider presents a very strong story for newspapers vs. direct mail with easy readable tables which are attached. Mr Schneider has also provided us with the questionnaire. If you would like to do a similar study in your market a copy of the questionnaire is available on request.

Exhibit No. 25
Exam of D. Perks
June 6, 1984
Tammy L. Kondo
Official Reporter

FREQUENCY OF READING NEWSPAPER INSERTS

	<u>TOTAL ADULTS</u>	<u>MEN</u>	<u>WOMEN</u>
ALMOST ALWAYS READ INSERTS	65%	52%	77%
SOMETIMES	16	21	11
SELDOM	4	6	2
NEVER READ INSERTS	15	21	10
BASE:	(500)	(233)	(267)

QUESTION: ABOUT HOW OFTEN WOULD YOU SAY YOU LOOK THROUGH THE ADVERTISING INSERTS THAT ARE IN THE PAPER?

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WHEN NEWSPAPER INSERTS ARE USUALLY READ

DO YOU USUALLY READ THE NEWSPAPER INSERTS....	INSERT READERS		
	<u>TOTAL</u>	<u>MEN</u>	<u>WOMEN</u>
BEFORE YOU READ THE REST OF THE PAPER	39%	23%	51%
AFTER YOU READ YOUR FAVORITE SECTIONS	20	23	17
AFTER YOU READ THE WHOLE PAPER	23	32	16
AT A LATER TIME	8	10	6
IT VARIES	11	13	10
BASE: NEWSPAPER INSERT READERS	(425)	(184)	(241)

QUESTION: AT WHAT POINT IN READING THE PAPER DO YOU USUALLY READ THE ADVERTISING INSERTS?

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PAST-30-DAY SHOPPING DONE AS A RESULT OF
SEEING A STORE'S ADVERTISING IN
NEWSPAPER INSERTS AND IN THE MAIL

	<u>SHOPPED AFTER SEEING ADS IN:</u>	
	<u>INSERTS</u>	<u>THE MAIL</u>
TOTAL ADULTS	69%	43%
MEN	58%	33%
WOMEN	78	52
18 - 34	72%	45%
35 - 49	75	49
50 +	63	38
ANY COLLEGE	71%	41%
HIGH SCHOOL GRADS	73	47
PART HIGH SCHOOL OR LESS	58	45
\$35,000 +	70%	43%
\$20,000 - \$34,999	76	44
UNDER \$20,000	71	44
WHITE COLLAR	72%	44%
BLUE COLLAR	72	41
RETIRED	55	29
HOMEMAKERS	77	62
WORKING WOMEN	85	56

QUESTION: I WANT TO ASK YOU ABOUT SHOPPING YOU HAVE DONE RECENTLY. IN THE PAST THIRTY DAYS, HAVE YOU SHOPPED AT ANY STORE AS A RESULT OF SEEING THAT STORE'S ADVERTISING INSERTS IN THE NEWSPAPER?.....IN THE MAIL THAT YOU RECEIVED?

PAST-30-DAY REDEMPTION OF CENTS-OFF COUPONS
RECEIVED IN NEWSPAPER INSERTS & IN THE MAIL.

	COUPONS RECEIVED IN:	
	<u>NEWSPAPER INSERTS</u>	<u>THE MAIL</u>
REDEEMED ANY CENTS-OFF COUPONS IN THE PAST 30 DAYS	66%	62%
REDEEMED 1 - 3 COUPONS	10	21
REDEEMED 4 - 6 COUPONS	13	17
REDEEMED 7 + COUPONS	43	24
REDEEMED NONE/DON'T KNOW HOW MANY	34	38

BASE: INSERT & DIRECT MAIL READERS (425) (372)

QUESTION: (IF USE INSERT COUPONS): DURING THE PAST THIRTY DAYS, APPROXIMATELY HOW MANY COUPONS THAT YOU HAVE CLIPPED FROM NEWSPAPER INSERTS HAVE YOU USED AT ANY TYPE OF GROCERY, RESTAURANT OR OTHER KIND OF STORE?

QUESTION: (IF USE COUPONS RECEIVED IN THE MAIL): DURING THE PAST THIRTY DAYS, APPROXIMATELY HOW MANY COUPONS THAT YOU'VE RECEIVED IN THE MAIL HAVE YOU USED AT ANY TYPE OF GROCERY, RESTAURANT OR OTHER KIND OF STORE?

READERSHIP OF NEWSPAPER INSERTS
AND
DIRECT MAIL BROCHURES

	<u>% WHO READ</u>
NEWSPAPER INSERTS	85%
DIRECT MAIL BROCHURES	74
BASE:	(500)

QUESTION: SOMETIMES THE NEWSPAPER COMES WITH SEPARATE ADVERTISING BROCHURES THAT ARE INSERTED INTO THE NEWSPAPER. THESE NEWSPAPER ADVERTISING INSERTS ARE USUALLY PRINTED IN COLOR. DO YOU EVER READ OR LOOK THROUGH THESE ADVERTISING INSERTS?

QUESTION: SOME STORES AND BUSINESSES SEND ADVERTISING BROCHURES THROUGH THE MAIL. DO YOU EVER READ OR LOOK THROUGH THE KIND OF ADVERTISING BROCHURES THAT COME IN THE MAIL?

THE IMAGE OF NEWSPAPER INSERTS
VS.
DIRECT MAIL ADVERTISING

<u>WHICH KIND OF ADVERTISING:</u>	<u>NEWSPAPER INSERTS</u>	<u>DIRECT MAIL</u>	<u>BOTH</u>	<u>NEITHER</u>
IS MORE INTERESTING TO YOU	68%	13	13	5
DO YOU SPEND MORE TIME READING	79%	11	2	7
IS MORE VALUABLE IN PLANNING YOUR SHOPPING	81%	6	4	7
IS MORE INFORMATIVE	72%	7	2	14
HAS A MORE COMPLETE ASSORTMENT OF ADS	84%	9	1	4
IS EASIER TO FIND WHEN YOU WANT TO READ IT	76%	15	1	5
IS MORE BELIEVABLE	50%	4	10	27

BASE: READERS OF BOTH NEWSPAPER
INSERTS AND DIRECT MAIL

(347)

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Key Facts About
Newspapers and Advertising
1982

This study is one of a series of marketing research reports prepared by the Newspaper Advertising Bureau, Inc., as a service to the Newspaper business and its advertisers. These reports form the basis of recommendations for the efficient use of the newspaper medium to meet the specific marketing needs of individual companies.

November 1982

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How To Use "Key Facts"

This report presents a compilation of data from many sources. Its main purpose is to answer some of the most frequently asked questions about newspapers: the size of the weekday and Sunday audiences; the sales effects of newspaper advertising; the newspaper's share of local and national advertising; and so forth.

The report is designed mainly as a reference source, not as a report to be read through page by page. To maximize its reference value the table of contents groups specific items of information under a few broad headings such as "Advertising Costs" and "Newspaper Circulation".

For example, if a quick overview of the size and characteristics of the daily newspaper's audience is needed, this comes under the general classification of "Newspaper Readership". Under that heading the desired information is listed as "Daily Newspaper Audience".

The scope of this reference source is necessarily limited. For answers to other questions about newspapers and newspaper advertising, consult the heading, "Information: Who To Call At NAB".

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Most Believable Advertising Medium

	<u>Percent Selecting Medium</u>	<u>Rank of Medium</u>
Newspapers	42%	1
Television	26	2
Magazines	11	3.5
Radio	11	3.5
Direct Mail	5	5
All about equal	2	NA
No Opinion	3	NA

Question: Which of these five media would you say has the most believable advertising?

Source: Opinion Research Corporation, Caravan Express, August 1981.

Percent Who Look Forward to Advertising in Four Media

	<u>Percent</u>
Newspaper	44%
Magazines	29
Radio	10
Television	9

Question: I am going to read four statements about different kinds of advertising. Please tell me whether you mostly agree or disagree with each one: When I pick up a newspaper, I look forward to the ads....etc.

Source: Audits and Surveys, Inc., 1977.

Cents-Off Coupons

Newspapers continue to be the medium through which most coupons are distributed.

Coupon Distribution Patterns

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Newspapers	78.5%	75.6%	76.7%
Daily	27.3	31.1	36.2
Co-op	17.7	17.1	16.1
Sunday supp.	7.3	9.0	9.5
F.S.I.	26.2	18.4	14.9
Magazines	11.8	13.3	12.2
Direct Mail	3.3	3.4	3.2
In/on pack.	6.4	7.7	7.9

Source: Nielsen Clearing House, 1982.

Movement of Products Supported
by Couponed Newspaper Advertising

	<u>Lipton Lots-a-Noodles Soup</u>	<u>Minute Maid Apple Juice</u>
Week before ad	252 units	79 units
Week of ad	456	239
Week after ad	326	222

Source: NABSCAN, 1981, based on data from 7 scanner stores in 7 different cities.

Usage of Cents-Off Coupons from Newspapers by Female Homemakers

	<u>Percent of:</u>	
	<u>Female Homemakers</u>	<u>Coupon Users</u>
<u>Ever use cents-off coupons</u>	<u>71%</u>	<u>100%</u>
<u>Use coupons from newspapers</u>	<u>61%</u>	<u>87%</u>
Heavy--more than once a week	9	13
Medium--once a week	24	34
Light--less often	28	40

Source: Simmons Market Research Bureau, 1981.

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Estimating Ad Readership

There is no objective or absolute measure of advertising exposure for any medium, but the use of particular approaches as relative measures tends to reveal the same underlying principles. For example, proven recall scores are consistently lower than Starch "Noted" scores based on recognition, while starch scores in turn are generally lower than exposure measures obtained through the use of an eye camera. However, all three methods would show that larger ads tend to be associated with higher levels of exposure.

Since all approaches to measurement also suggest that exposure levels vary with the creative treatment, only a readership survey can provide any benchmark on a specific ad's attention value. In those cases where it is essential to estimate an ad's exposure level, Starch "Noted" scores serve the purpose as well as any measure, because these scores fall in an intermediate range and tend to be fairly constant over time.

Average Starch "Noted" Scores for 22 Product Categories

<u>Size Category</u>	<u>SAU Equivalents*</u>	<u>Average Noted Score</u>	
		<u>Men</u>	<u>Women</u>
140-299 lines	SAU 14, 18, 19	18%	20%
300-599 lines	SAU 8, 13, 16	25	30
600-999 lines	SAU 10, 12	30	37
1,000-1,499 lines	SAU 3, 7, 11	34	39
1,500 lines & over	SAU 1, 2, 4, 5	44	47

*SAU equivalents shown are based on an 8-column format.

Source: Daniel Starch, Inc. (for Million Market Newspapers), 1961-1967.

Ad readership varies little whether the ad appears on the left or right side of the page...

	<u>Left</u>	<u>Right</u>
Men	99	102
Women	100	100

...above or below the fold...

	<u>Above Fold</u>	<u>Below Fold</u>
Men	99	101
Women	100	100

...or in the gutter or outside position.

	<u>Gutter</u>	<u>Outside</u>
Men	100	101
Women	101	100

But...editorial environment can affect performance.

Advertisements for Products
of Interest to Both Men and Women

<u>Type of Page:</u>	<u>Men</u>	<u>Women</u>
Sports	114	49
Food, home	63	101
General news	100	101

NOTE: Index--Starch "Noted" score for average ad=100.

Source: MMN Starch studies of 32,000 ads.

How Advertising Exposure Accumulates with Multiple Insertions

As might be expected, it is even more difficult to determine how many people are reached by multiple ad insertions than to measure the impact of a single ad.

However, if it can be assumed that the likelihood of newspaper readers seeing one or more ads in a campaign is approximately the same as the likelihood of seeing one or more in a single newspaper issue with the same total number of insertions, then it is possible to estimate the cumulative effect of multiple insertions. Any overstatement resulting from this assumption should be offset by the cumulative build-up in the total audience of the newspaper itself.

In order to estimate the net reach of two or more advertising insertions, the first step is to establish the average exposure level for a single insertion, either through custom research or by the use of an estimate. Given this base figure, it can be assumed that multiple insertions will build along the lines shown in the following table.

Estimated Net Reach and Frequency for Multiple Ad Insertions

<u>Noted Score</u>	<u>Number of Ads in Campaign</u>				
	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>
20% Net reach:*	20%	30%	38%	45%	50%
Avg. freq:	1.0	1.3	1.6	1.8	2.0
25% Net reach:*	25%	37%	46%	53%	59%
Avg. freq:	1.0	1.4	1.6	1.9	2.1
30% Net reach:*	30%	43%	53%	61%	67%
Avg. freq:	1.0	1.4	1.7	2.0	2.2
35% Net reach:*	35%	50%	60%	68%	74%
Avg. freq:	1.0	1.4	1.8	2.1	2.4
40% Net reach:*	40%	55%	65%	73%	79%
Avg. freq:	1.0	1.5	1.8	2.2	2.5
45% Net reach:*	45%	60%	70%	78%	84%
Avg. freq:	1.0	1.5	1.9	2.3	2.7

*Net reach=percent of exposed audience reached one or more times.

(For a fuller discussion of this issue see, "Yardstick of Accumulative Newspaper Ad Readership", Newspaper Advertising Bureau.)

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NEWSPLAN: Discounts for Continuity

ONE PROGRAM:

NEWSPLAN's only purpose is to make national and regional advertising more effective by giving it the believability, immediacy and selling impact of ROP newspaper advertising at lower cost and greater convenience.

THREE BENEFITS:

1. Lower cost for the advertiser

By planning ahead, you can earn discounts from 10 to 30% or more with NEWSPLAN. Plan your advertising on an annual basis to make sure your cumulative space--in lines or modular units--equals 6 pages, 13 pages, 26 pages or 52 pages. Discounts at these page levels are now in effect in over 1,000 newspapers representing 82% of total U.S. circulation.

2. Simplified specs for the creative department

In all 1,430 daily newspapers representing 93% of total daily circulation now accept SAU's (Standard Advertising Units). In most cases, this means the convenience of preparing only one finished mechanical for all the newspapers on your schedule.

3. Better audience data for marketers and planners

CAN DO gives you net reach and frequency data for any daily or Sunday newspaper schedule and any geographic area, down to the county level. Audience figures can be run by sex, age, household income or household size. CAN DO computer runs are available through your own terminal if you are an IMS subscriber or through MAB at our cost.

For more information on NEWSPLAN, call Mac Morris at (212) 557-1865.

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Standard Advertising Units (SAUs)

The Standard Advertising Unit system was set up through the cooperative efforts of the newspaper business and a number of advertiser groups in order to simplify the production of newspaper ads and cut costs.

The SAU system consists of 25 individual advertising sizes that can be accepted by all broadsheet newspapers regardless of their format or page size, plus five alternative sizes. Within these standard sizes are 15 units that also meet the needs of tabloid newspapers. In all, 1,430 newspapers representing 93% of total daily circulation now accept SAU's.

SAU's range in size from a full page 13" wide and 21" deep (SAU No. 1) to small-space ads 1 3/8" wide and 1" deep (SAU No. 25).

The SAU system has generated such widespread interest that plans to extend and improve the modular unit concept are well underway. A tentative new system designated "Newspaper Advertising Units" is considering a standard broadsheet page width of 13", a standard 6-column format for advertising, and a unit of measurement based on inches. Advertising and newspaper groups considering the NAU proposal will probably offer their final recommendations by February 1, 1983.

For more information, call Charles Kinsolving at (212) 557-1850.

How Can Intermedia Advertising Costs Be Estimated?

Media planners often need to compare the cost of various advertising media. The Designated Market Area (DMA) is a geographic unit that readily lends itself to this purpose, because the 205 DMA's account for the total land area of the United States.

Intermedia cost estimates can best be expressed in terms of households rather than adults because current household figures are published for both broadcast and newspaper circulation.

Since major advertisers and agencies are usually concerned with advertising schedules rather than single insertions, the logical measure of potential exposure is Gross Rating Points (GRP's) rather than net reach.

Because of variations in newspaper page sizes and column widths, the use of milline rates complicates intermedia comparisons. Expressing newspaper costs in terms of Standard Advertising Units (SAU's) greatly simplifies calculations.

The table on page 9 illustrates how these basic units can be used for intermedia comparisons, in this case between TV and newspapers. This table shows marginal differences in the household universes for newspapers and TV because Nielsen household estimates are 98% of forecasts (year ahead) by Market Statistics whereas newspaper DMA's are 100% of Market Statistics updates (year past) on the 1980 Census.

The table on page 9 compares the cost-per-household GRP of the newspaper space unit (SAU 13) and TV time unit (30 seconds) most favored by national advertisers. For TV, the daypart used is prime time because this is the period offering the largest dual audience.

It should be kept in mind that the figures shown represent a generalized estimate used in the initial stages of setting up a media plan. A final media plan specifying particular TV programs and individual newspapers might show slightly different results.

For further details on intermedia comparisons contact Ed Finlay at (212) 557-1858.

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DAILY NEWSPAPERS VS. TELEVISION
DMA HOUSEHOLD AND COST/HH GRP COMPARISON

	<u>PRIMETIME TELEVISION-30 sec.</u>		<u>NEWSPAPERS--SAU 13</u>	
	<u>HH (000)</u>	<u>COST/HH GRP</u>	<u>HH (000)</u>	<u>COST/HH GRP</u>
1. NEW YORK	6,409.7	\$ 478	6,515.3	\$ 460
2. LOS ANGELES	4,214.6	394	4,217.3	265
3. CHICAGO	2,944.9	302	2,964.7	209
4. PHILADELPHIA	2,400.8	208	2,408.6	205
5. SAN FRANCISCO	1,950.3	222	1,952.5	165
6. BOSTON	1,920.1	218	1,915.7	185
7. DETROIT	1,658.9	147	1,662.3	152
8. WASHINGTON D.C.	1,467.6	134	1,464.9	160
9. CLEVELAND	1,402.0	106	1,409.0	96
10. DALLAS-FT. WORTH	<u>1,355.9</u>	<u>181</u>	<u>1,343.8</u>	<u>125</u>
TOTAL TOP 10	25,724.8	\$2,390	25,854.1	\$2,022
11. HOUSTON	1,255.0	\$ 166	1,236.4	106
12. PITTSBURGH	1,202.5	107	1,206.5	115
13. MIAMI	1,099.7	139	1,095.7	65
14. SEATTLE-TACOMA	1,093.8	111	1,091.8	90
15. MINNEAPOLIS-ST. PAUL	1,071.4	104	1,064.7	80
16. ATLANTA	1,062.7	108	1,046.2	75
17. ST. LOUIS	1,029.4	109	1,036.4	80
18. TAMPA-ST. PETERSBURG	1,028.8	78	1,007.6	76
19. DENVER	858.9	119	844.3	60
20. BALTIMORE	<u>835.2</u>	<u>111</u>	<u>833.0</u>	<u>78</u>
TOTAL TOP 20	36,262.2	\$3,542	36,316.7	\$2,847

Sources: Market Statistics, Media Market Guide, SRDS, Circulation.

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Where to Obtain Rate Information

Current information on ROP rates for daily and Sunday/weekend newspapers is available from the Marketing Services Section of NAB. Contact Jim Conaghan at (212) 557-5482.

Through NAB's NEWSPLAN, over 1,000 newspapers representing more than 82% of total weekday circulation offer discounts to national and regional advertisers who place ROP linage or modular units equal to six or more pages per year. For more information, contact Mac Morris at (212) 557-1865.

Current information on rates for preprints and inserts is available from Jack Aldinger at (212) 557-1847 or Ted Knecht at 557-1848.

Among the Marketing Services reports that include rate information are the following:

METROPOLITAN MARKETS 1-125 BY HOUSEHOLDS
METROPOLITAN MARKETS 126-300 BY HOUSEHOLDS

United States markets ranked by number of households in SMSA. Lists all newspapers with at least .05 ratio of circulation to households or more than 25,000 circulation. Includes time of publication; ratio of circulation; open line rates; and cost of 1,000 lines, one page and 20,000 lines. Published separately for weekday and Sunday/weekend editions.

300 METROPOLITAN MARKETS BY HOUSEHOLDS

Same information as above for all newspaper groups with at least .05 ratio of circulation to households in the top 125 markets, a .10 ratio in markets 126 through 300, or more than 25,000 circulation in the SMSA. Published separately for weekday and Sunday/weekend editions.

CUMULATIVE CIRCULATION AND RATES OF NEWSPAPERS IN
300 METROPOLITAN MARKETS NECESSARY TO OBTAIN 60%
HOUSEHOLD COVERAGE IN EACH MARKET

Summary data on the above statistics for the top 10 markets, the top 20, etc.

TOP 300 METROPOLITAN MARKETS: ROP COLOR AND MEZZOTINT

U.S. NEWSPAPERS WITH ZONE EDITIONS

Product Movement of Advertised vs. Unadvertised Items

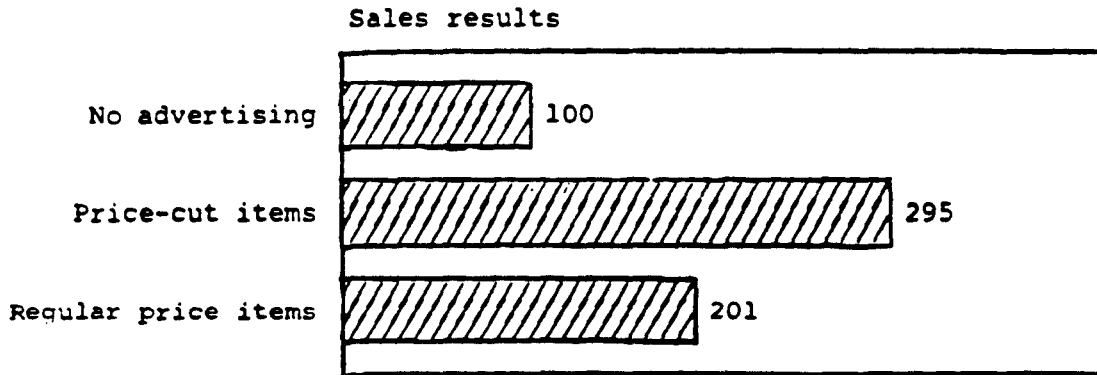
The availability of computerized scanner data permits the measurement of store movement for specific brands and sizes of package goods.

In 1980, data were analyzed from 17 stores in the NABSCAN program, covering 20 ads and 479 items. Unit and dollar sales were recorded for these items for the week of the ad, and two weeks before the ad (the base period).

RESULTS

For all advertised items, dollar sales were two and a half times as high as they had been during the base period when no advertising appeared for those products.

Results show that, on average, newspaper advertising triples the volume of items advertised at cut prices. The sales effectiveness of newspaper ads doesn't depend on price cuts--advertising goods at regular prices can double sales.



For those items without a price cut that were "featured" by the largest amount of advertising space, the index was 288. For the average item that was "promoted"--the next largest space--the index was 188. Even for just "liners", the index was 134.

1981 National Advertising Investments in Newspapers
Arranged by Media Records Classification
In Thousands of Dollars

<u>Classification</u>	<u>1981</u>	<u>Percent</u>
Alcoholic Beverages	\$ 94,965	3.7%
Amusements	12,598	0.5
Automotive	369,429	14.5
Cameras, Photo Supplies & Services	16,511	0.7
Educational	28,506	1.1
Farm and Garden	29,467	1.2
Foods	179,426	7.0
Help Wanted	68,616	2.7
Hotels and Resorts	105,061	4.1
Household Furniture and Furnishings	13,397	0.5
Household Heating & Home Heating Equipment	14,603	0.6
Household Supplies	40,068	1.6
Household Equipment and Appliances	67,566	2.6
Industrial	57,158	2.2
Insurance	40,688	1.6
Jewelry, Watches and Silverware	8,769	0.3
Mail Order	72,994	2.9
Medical Products and Drugs	24,040	0.9
Pets and Pet Supplies	8,853	0.4
Political	9,989	0.4
Professional and Service	11,663	0.5
Public Service Utilities & Communications	56,492	2.2
Publishing and Media	197,710	7.7
Real Estate	20,954	0.8
Sporting and Leisure Time Equipment	13,532	0.5
Tobacco	391,283	15.3
Toiletries and Toilet Goods	32,506	1.3
Transportation	369,191	14.4
Wearing Apparel	40,330	1.6
General Not Elsewhere Classified	159,885	6.2
GRAND TOTAL (Thousands of Dollars)	\$2,556,250	100.0%

Figures do not include production costs.

Source: Media Records; Newspaper Advertising Bureau.

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Newspapers are largest advertising medium in the U.S.

Total Advertising Volume in the United States

Millions of Dollars

<u>Medium</u>	<u>1979</u>		<u>1980</u>		<u>1981 (Prelim.)</u>	
Newspapers total	\$14,493	29.2%	\$15,541	28.5%	\$17,420	28.4%
national	2,085	4.2	2,353	4.3	2,729	4.4
local	12,408	25.0	13,188	24.2	14,691	24.0
Magazines total	2,932	5.9	3,149	5.8	3,533	5.8
weeklies	1,327	2.7	1,418	2.6	1,598	2.6
women's	730	1.5	782	1.4	853	1.4
monthlies	875	1.8	949	1.8	1,082	1.8
Farm publications total	120	0.2	130	0.2	146	0.2
Television Total	10,154	20.5	11,366	20.8	12,650	20.6
network	4,599	9.3	5,130	9.4	5,575	9.1
spot	2,873	5.8	3,269	6.0	3,730	6.1
local	2,682	5.4	2,967	5.4	3,345	5.4
Radio total	3,326	6.7	3,702	6.8	4,212	6.9
network	161	0.3	183	0.4	220	0.4
spot	667	1.3	779	1.4	896	1.5
local	2,498	5.0	2,740	5.0	3,096	5.0
Direct Mail total	6,653	13.4	7,596	13.9	8,781	14.3
Business Papers total	1,575	3.2	1,674	3.1	1,841	3.0
Outdoor total	540	1.1	578	1.1	650	1.1
national	355	0.7	364	0.7	419	0.7
local	185	0.4	214	0.4	231	0.4
Miscellaneous total	9,787	19.7	10,744	19.7	12,087	19.7
national	5,065	10.2	5,663	10.4	6,410	10.4
local	4,722	9.5	5,081	9.3	5,677	9.3
Total national	27,085	54.6	30,290	55.6	34,280	55.9
Total local	22,495	45.4	24,190	44.4	27,040	44.1
GRAND TOTAL	\$49,580	100.0%	\$54,480	100.0%	\$61,320	100.0%

Estimates include all costs: Time and talent, space and production.

Source: McCann-Erickson, Inc.

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Newspaper Advertising Expenditures
Millions of Dollars
Production cost estimates included

	<u>National</u>	<u>Retail</u>	<u>Classified</u>	<u>Total</u>
1960	\$ 778	\$2,100	\$ 803	\$ 3,681
1961	744	2,053	804	3,601
1962	722	2,103	834	3,659
1963	702	2,211	867	3,780
1964	773	2,344	1,003	4,120
1965	783	2,429	1,214	4,426
1966	887	2,645	1,333	4,865
1967	846	2,760	1,304	4,910
1968	889	2,919	1,424	5,232
1969	943	3,166	1,605	5,714
1970	891	3,292	1,521	5,704
1971	991	3,562	1,645	6,198
1972	1,103	3,957	1,948	7,008
1973	1,111	4,236	2,248	7,595
1974	1,194	4,552	2,255	8,001
1975	1,221	4,958	2,263	8,442
1976	1,502	5,651	2,757	9,910
1977	1,677	6,216	3,239	11,132
1978	1,787	6,994	3,926	12,707
1979	2,085	7,801	4,607	14,493
1980	2,353	8,565	4,623	15,541
1981	2,729	9,631	5,060	17,420

Source: McCann-Erickson, Inc.; H.C. MacDonald for classified 1960-1966;
NAB estimates for classified 1967-1980.

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Preprint Advertising in Newspapers

Circulation Growth of Inserts

	<u>Free-Standing Inserts</u> <u>Card & Multi-page</u> (Millions)	<u>Roll-Fed</u> <u>Hi-Fi & Spectacolor</u> (Millions)	<u>Total</u> (Millions)	<u>Free-Standing</u> <u>Insert Revenue*</u> (Thousands)
1971	8,912	1,088	10,000	NA
1973	11,895	905	12,800	NA
1975	15,800	261	16,000	NA
1977	20,101	165	20,266	\$1,086,000
1979	27,132	85	27,217	1,776,604
1981	28,708	62	28,770	2,288,542

*Based on a 12 page tabloid--includes printing and inserting.

Free-Standing Inserts

Today an insert can be distributed in nearly every daily and Sunday newspaper in the United States. Circulation achieved is more than 59,000,000 daily and 52,000,000 Sunday. Over 50% of the Sunday newspapers can distribute an insert in less than their full run circulation. Over 75% of the Sunday newspapers will accept a product sample attached to an insert. Over 75% of the Sunday newspapers will accept an envelope either empty or containing multiple inserts or coupons.

Sizes are almost limitless. You can make an insert as large as anything that fits into the newspaper when folded to 11" x 13" or as small as 5" x 7". Formats are equally unlimited. From a single page to a 96 or more page booklet. Inserts can be long or short and include flaps, envelopes, gate folds, reply cards, coupons, perforations, fragrances etc. Inserts can be printed on all types of paper from ordinary newsprint to super-coated card stock.

There are many variables which affect the printing cost: size, number of pages, colors, paper weight and finish, perforating and plate changes to name just a few.

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Here are some typical average national insert CPM's for Sunday newspapers in the Top 100 SMSA's:

	<u>Total</u>						
	<u>Circ.</u>	<u>2 Pages</u>	<u>4 Pages</u>	<u>8 Pages</u>	<u>12 Pages</u>	<u>16 Pages</u>	<u>24 Pages</u>
	(000)						
Top 10	16,000	29.30	29.82	33.72	37.63	42.35	51.02
Top 25	25,000	29.35	29.95	33.83	37.92	42.68	51.10
Top 50	33,000	29.38	30.31	34.83	39.50	44.49	52.94
Top 75	37,000	29.20	30.23	35.04	40.14	45.39	54.02
Top 100	40,000	29.34	30.37	35.17	40.41	45.67	54.40

NAB--June 1982

NAB's One-Order/One-Bill Service

Estimates and information can be obtained from Ted Knecht or Jack Aldinger of our Insert Division at (212) 557-1847/8. The Insert Division is set up to provide advertisers and agencies with all the information needed to plan and execute any type of multi-newspaper insert program, including specifications and availabilities, as well as cost estimates for printing, freight and inserting. The Insert Division will handle all paper work, make reservations, issue insertion orders and forward payment of every newspaper on the schedule, billing you on one invoice. Feel free to use this valuable service.

CAN DO

The Newspaper Advertising Bureau's CAN DO program can:

- . produce detailed audience data for any list of newspapers
- . provide data customized to any geographic or demographic definition
- . calculate reach and frequency estimates
- . allow media mix analyses through IMS systems for other media
- . deliver data output via an on-line computer system.

CAN DO data are available for every daily and Sunday newspaper in the United States.

CAN DO uses county building blocks to estimate audiences for all SMSA's, ADI's, DMA's or customized areas of three or more counties constructed on whole county lines. And CAN DO provides estimates for the most important audience breaks--age, sex, income and household size.

If you provide us with your audience rates, CAN DO will give you specific cost-per-thousand information on your newspaper audience.

For further information on CAN DO, contact Uldis Grava at (212) 557-1854 or Susan Lorenzana at 557-1896.

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The great majority of newspapers offer ROP color advertising. In the top 300 markets, less-than-one-page ads in BW&1C can reach 93% of the total weekday circulation. Ads in BW&3C can reach 85% of the total circulation.

Percent of Total Circulation Represented by
Daily Newspapers Offering ROP Color¹

Market Rank:	Accept Less Than Full-Page Ad			Accept Full-Page Ad		
	One	Two	Full	One	Two	Full
	Color	Colors	Color	Color	Colors	Color
Top 25	84.5%	73.7%	71.4%	88.8%	81.9%	79.7%
26-50	100.0	97.2	92.8	100.0	97.2	92.8
51-75	95.8	99.6	97.2	99.6	99.6	97.2
76-100	100.0	98.1	97.0	100.0	98.1	97.0
101-200	99.1	97.6	97.2	100.0	99.8	99.4
201-300	100.0	98.9	97.5	100.0	98.9	97.5
Cumulative:						
Top 50 markets	88.6%	79.8%	77.0%	91.8%	85.9%	83.1%
Top 75 markets	90.1	82.6	79.8	92.9	87.8	85.1
Top 100 markets	90.9	83.9	81.3	93.4	88.7	86.1
Top 200 markets	92.3	86.2	84.0	94.6	90.4	88.3
Top 300 markets	92.9	87.1	85.0	95.0	91.2	89.0

Sources: SM Survey of Buying Power, 1981; SRDS, September 1981; ANM Circulation '81/'82.

¹All daily newspapers with at least .05 ratio of circulation to households, or more than 25,000 circulation in the SMSA.

A Few Common Newspaper Terms

- Agate line: The traditional newspaper space measurement, one column wide and one-fourteenth of an inch deep. Depending on column width, a broadsheet newspaper page may range from about 1800 to about 2800 lines.
- Broadsheet newspaper: A "standard" or large-size newspaper. The measurements of broadsheet newspapers vary, but a page 13½" wide and 21½" deep is fairly typical.
- Circulation: The number of copies sold or distributed. For the more than 90% of weekday circulation audited by the Audit Bureau of circulation, the term always denotes paid circulation, usually the average over a 12-month period.
- Column inch: Space measurement favored by local advertisers, one column wide and one inch deep.
- Double-truck: Two facing pages used for a single unbroken advertisement. Also called a two-page spread.
- Newsprint: The uncoated, machine-finished paper on which newspapers are printed.
- ROP: Originally, ROP (or "run-of-paper") denoted an advertisement position anywhere in a newspaper (as opposed to a preferred position). Now ROP is generally used to denote ads that appear in the newspaper itself (as opposed to preprints or inserts).
- Scotch double-truck: A single unbroken advertisement on two facing pages, bordered by one full column of editorial on each of its vertical sides and by shallow columns of editorial across the top.
- Tabloid: A newspaper about half the page size of a broadsheet. A fairly typical tabloid might be about 10" wide and 14½" deep.

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Information, Please: Who To Call At NAB

Ad Readership	Stu Tolley	557-1817
Advertising Expenditures	Jim Conaghan	557-5482
Advertising Rates	Jim Conaghan	557-5482
Automotive Sales	Val Corradi	(313) 642-9200
CAN DO	Susan Lorenzana	557-1896
Co-op Sales	Frank Hennessey	(312) 644-1290
Coupon Information	John Kelley	557-1811
Food	Dick Neale	557-1843
Information Center	Ann Brady	557-1822/3
Inserts, preprints	Jack Aldinger, Ted Knecht	557-1847/8
Marketing Services	Uldis Grava	557-1854
National Sales	Mac Morris	557-1865
Newspaper Circulation	Jim Conaghan	557-5482
Newspaper Readership	Chuck Lehman	557-1806
NEWSPLAN	Mac Morris	557-1865
New Technology	Charles Kinsolving	557-1850
One-Order/One-Bill	Jack Aldinger, Ted Knecht	557-1847/8
Public Relations	Jim Dunaway	557-1828
Real Estate Classified	Tony Marsella	557-1836
Recruitment advertising	Ira Gordon	557-1862
Retailing	Alfred Eisenpreis	557-1856
SAUs (Standard Adv. Units)	Charles Kinsolving	557-1850
SMRB Data	Chuck Lehman	557-1806
Survey Research	Chuck Lehman	557-1806
Total Market Coverage	Jack Aldinger	557-1847

(Unless otherwise specified, area code is 212.)

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Newspaper Co-op Network (NCN)

Now manufacturers and advertising agencies can place dealer listing co-op ads in any market with just one phone call to the Newspaper Co-op Network (NCN). NCN is a joint effort of the International Newspaper Advertising and Marketing Executives and the Newspaper Advertising Bureau, in cooperation with the Advertising Checking Bureau.

With NCN, the advertiser's local message can be coordinated with national brand awareness advertising, and still include local dealers in each market. Advertisers place only one order and get one bill.

The key to this system is a national network of local newspapers, organized into nine sales and control regions. Each region has an NCN coordinator headquartered at a major newspaper in a centrally located market.

This network of local newspapers and coordinators helps advertisers get exactly the type of market coverage they need--local, regional or national.

And when they want to place a local newspaper ad schedule with dealer listings...it takes just one phone call to a regional NCN coordinator to get the system working.

NCN is a "Total Marketing Package". Below are ten of NCN's unique advantages:

1. One Order/One Bill--Makes newspapers easy to use for co-op. Eliminates your administration costs and hassle!
2. Rate Efficiency Assured--Advertiser receives the best possible rates available for dealer list co-op advertising.
3. Creative Control--Advertiser controls both graphics and copy content.
4. Guaranteed Timing--Direct placement where you want and when you want it.
5. Retailer Involvement--Stimulates and produces additional follow-up retail advertising.
6. Localized Monitoring--Provides a new measurement tool--National Sales Manager now evaluates Local Market Dealer Penetration.

- 7. Flexibility--Adapts newspaper coverage to a manufacturer's full, regional or test market distribution pattern.
- 8. Customization--Tailors ad coverage to local representatives' sales areas or distributor/wholesaler territories.
- 9. Specialization--Trouble-shooting capability to solve immediate marketing problems, i.e., excess inventory, new product test and competitive threat, market by market.
- 10. Free Sales Help!--Acts as extension of the Advertisers' field sales force, uniting them with newspaper co-op managers in North America. (Newspapers have more than 26,000 retail sales people in the field.)

For more information on NCN, call Frank Hennessey at (312) 644-1290.

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How Much Do People Spend To Read Daily and Sunday Newspapers?

Estimates of Annual Expenditures in the United States
(In thousands of dollars)

	<u>Annual Expenditures</u>			<u>Single Copy Price</u> ¹	
	<u>Weekday</u>	<u>Sunday</u>	<u>Total</u>	<u>Weekday</u>	<u>Sunday</u>
1972	2,138,653	790,850	2,929,233	10¢	25¢
1973	2,206,430	831,390	3,037,820	10	25
1974	2,641,020	940,713	3,581,733	15	25
1975	2,886,978	1,034,537	3,921,515	15	25
1976	2,973,894	1,113,409	4,087,303	15	35
1977	3,129,901	1,180,335	4,310,236	15	35
1978	3,289,526	1,245,253	4,534,779	15	35
1979	3,519,008	1,431,534	4,950,542	15	50
1980	3,863,822	1,605,767	5,469,589	20	50
1981	4,359,244	1,846,897	6,206,141	25	50

¹Average (modal) price. Source: ANPA

Source: Estimate by NAB, based on information from SRDS; Editor and Publisher Yearbook; ABC; CARD.

For morning, evening and Sunday/weekend editions, newspaper reach is fairly constant throughout the year:

Index of Month-by-Month Newspaper Circulation¹

	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>
AM	101	101	101	101	100	99	97	98	99	101	101	100
PM	99	100	100	100	100	100	99	99	100	101	101	101
S/W	100	101	101	101	100	99	98	98	100	101	101	100

Source: Media General, Inc. survey of ICMA members. Data cover the years 1976-1980 and are weighted by circulation size and geographic region to represent national totals.

¹ Average month circulation=100.

Index of daily newspaper reach varies little throughout the week.

	<u>Monday</u>	<u>Tuesday</u>	<u>Wednesday</u>	<u>Thursday</u>	<u>Friday</u>
Readership by adults	95	98	103	103	101

Source: Audits and Surveys, Inc., 1977.

Most newspaper readers are subscribers.

How Newspapers Read Were Obtained

	<u>Weekday Editions</u>	<u>Sun/Weekend Editions</u>
Subscribe, home delivery	77%	71%
Bought	15	22
Obtained otherwise	8	7

Source: Response Analysis Corporation, 1979.

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Number & Circulation Of Daily & Sunday Newspapers In The United States

Year	Morning	Evening	All Day	Total	Tot.Morn. ¹	Tot.Evng. ¹	Tot. Daily	Number	Tot.Sunday
Year	Morning	Evening	All Day	Total	Circ.(000)	Circ.(000)	Circ.(000)	Sunday	Circ.(000)
1971	324	1,410	15	1,749	26,116	36,115	62,231	590	49,665
1972	320	1,424	17	1,761	26,078	36,432	62,510	605	50,001
1973	323	1,431	20	1,774	26,524	36,623	63,147	634	51,717
1974	319	1,428	21	1,768	26,145	35,732	61,887	641	51,679
1975	320	1,417	19	1,756	25,490	35,165	60,655	639	51,096
1976	327	1,416	19	1,762	25,858	35,119	60,977	650	51,565
1977	326	1,406	21	1,753	26,742	34,753	61,495	668	52,429
1978	337	1,401	18	1,756	27,657	34,333	61,990	696	53,990
1979	358	1,381	24	1,763	28,575	33,648	62,223	720	54,380
1980	357	1,358	30	1,745	29,414	32,788	62,204	735	54,672
1981	378	1,322	30	1,730	30,552	30,878	61,431	755	55,180

¹Circulation of all-day newspapers is apportioned between morning and evening editions.

Source: Editor and Publisher.

The number of daily newspapers has remained fairly steady over the last 10 years, along with daily circulation. There has been a shift, though, toward morning papers, with their number increasing by 54 in the last 10 years while the number of evening papers has decreased by 88. Morning papers, which 10 years ago accounted for 42% of daily circulation, now account for 50%. Another phenomenon has been the increase in all-day newspapers, which have increased from 15 in 1971 to 30 in 1981.

The greatest growth since 1971 has been achieved in the area of Sunday editions. Their number has increased 28%, with the total circulation increasing by 11%. This reflects the fact that medium-size and smaller papers have been initiating new Sunday editions.

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Daily Newspaper Audience
(Average Weekday)

	<u>Number</u> (in 000's)	<u>Percent of</u> <u>Total Adults</u>
<u>Total Adults</u>	<u>108,366</u>	<u>67%</u>
By Sex:		
Men	52,399	69%
Women	55,967	66
By Age:		
18-24 years	16,675	59%
25-34 years	23,158	61
35-44 years	18,064	69
45-54 years	17,201	76
55-64 years	16,349	75
65 years or older	16,919	69
By Education:		
Grammar school or less	11,537	51%
Some high school	14,273	61
High school graduate	44,024	69
Some college	19,190	71
College graduate	19,342	78
By Household Income:		
\$40,000 or more	18,301	78%
\$30,000 or more	35,679	77
\$25,000 or more	47,965	75
\$20,00-\$24,999	14,251	70
\$15,000-\$19,999	12,275	67
\$10,000-\$14,999	16,840	64
Under \$10,000	17,035	52
By Occupation:		
Professional, technical	13,679	76%
Manager, administrator	9,220	77
Clerical, sales	16,655	69
Craftsman, foreman	8,238	65
Other employed	19,244	62
Not employed	41,330	65

Source: Simmons Market Research Bureau, 1982.

Sunday/Weekend Newspaper Audience
(Average Sunday/Weekend)

	<u>Number</u> (in 000's)	<u>Percent of</u> <u>Total Adults</u>
<u>Total Adults</u>	<u>107,706</u>	<u>67%</u>
By Sex:		
Men	51,043	67%
Women	56,663	66
By Age:		
18-24 years	18,210	64%
25-34 years	24,308	64
35-44 years	17,892	68
45-54 years	16,615	74
55-64 years	15,440	71
65 years or older	15,241	62
By Education:		
Grammar school or less	10,573	47%
Some high school	13,635	58
High school graduate	44,024	69
Some college	19,688	73
College graduate	19,786	80
By Household Income:		
\$40,000 or more	18,703	80%
\$30,000 or more	36,440	78
\$25,000 or more	49,205	77
\$20,000-\$24,999	14,214	70
\$15,000-\$19,999	12,063	66
\$10,000-\$14,999	16,191	62
Under \$10,000	16,033	49
By Occupation:		
Professional, technical	13,874	77%
Manager, administrator	9,289	78
Clerical, sales	17,602	73
Craftsman, foreman	8,273	65
Other employed	19,000	62
Not employed	39,668	62

Source: Simmons Market Research Bureau, 1982.

Readers-Per-Copy Estimates

	<u>Daily</u>	<u>Sunday/Weekend</u>
<u>Adults</u>	<u>2.1</u>	<u>2.2</u>
Men	1.0	1.1
Women	1.1	1.1

Source: Estimate by Newspaper Advertising Bureau, 1981, based on Simmons Market Research Bureau, 1981; Editor & Publisher Yearbook, 1981; and ANM Circulation, '81/'82.

Average Weekday Use of Three Major News Sources

	<u>% Adults 18+ News Exposure</u>
Daily newspaper	69%
TV news	62
Radio news	49

Source: Audits and Surveys, Inc., 1977.

Average Weekday Coverage of Professionals and Managers

<u>Total professionals & managers</u>	<u>77%</u>
Individual employment income of \$35,000 & over	84%
College graduate	81
Employed in business services	80

Source: Simmons Market Research Bureau, 1981.

Cumulative Net Reach of the Daily Newspaper Over Five Weekdays
(Total U.S., by Selected Demographics)

	<u>One</u> <u>Day</u>	<u>Two</u> <u>Days</u>	<u>Three</u> <u>Days</u>	<u>Four</u> <u>Days</u>	<u>Five</u> <u>Days</u>
Total Adults:					
Reach	68%	79%	84%	87%	89%
Avg. Frequency	1.0	1.7	2.4	3.1	3.8
GRP's*	80	160	240	320	400
Total Men:					
Reach	69%	80%	85%	87%	89%
Avg. Frequency	1.0	1.7	2.4	3.2	3.9
GRP's	83	166	249	332	415
Total Women:					
Reach	67%	78%	83%	86%	88%
Avg. Frequency	1.0	1.7	2.4	3.1	3.8
GRP's	78	156	234	312	390
Adults, Age 35-44:					
Reach	71%	82%	87%	90%	91%
Avg. Frequency	1.0	1.7	2.4	3.2	3.9
GRP's	84	168	252	336	420
Adults, College Graduate:					
Reach	79%	90%	93%	95%	97%
Avg. Frequency	1.0	1.8	2.5	3.3	4.1
GRP's	98	196	294	392	490
Adults, HH Income \$35,000 and over:					
Reach	79%	90%	94%	96%	97%
Avg. Frequency	1.0	1.8	2.5	3.3	4.1
GRP's	99	198	297	396	495
Adults, Professional & Technical Workers:					
Reach	78%	88%	92%	94%	95%
Avg. Frequency	1.0	1.8	2.5	3.3	4.1
GRP's	95	190	285	380	475

*GRP's=Gross Rating Points (number of impressions per 100 adults).

Source: Simmons Market Research Bureau, 1981.

Types of Daily Newspaper Pages or Sections Usually Read

	<u>Percent of Weekday Audience</u>		
	<u>Adults</u>	<u>Men</u>	<u>Women</u>
Usually read every page	62%	61%	62%
Read certain pages or sections	38	39	38
Business, finance	77	78	75
Comics	77	77	76
Editorial page	80	77	81
Food, cooking	79	70	86
General news	94	93	95
Home furnishings, improvement	77	71	82
Sports	81	88	74
TV, radio listings	79	75	81
	(107,944)	(51,703)	(56,242)

Projected base: Average weekday audience (in 000's).

Source: Simmons Market Research Bureau, 1981.

NOTE: For each type of page or section shown in table, percent who report that they usually read "every" page has been added to those specifically reporting readership. Because of the way in which this question was asked, these data might be regarded as "page opening" rather than readership figures. Data from Admar Research (1979) indicate that the average newspaper page on which display advertising appears is opened by 86% of the issue readers.

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No matter what kind of product or service you market, the newspaper reaches the great majority of your customers each weekday and Sunday.

Newspaper Coverage of Selected Product and Service Users

	<u>Percent of Total Adults</u>	<u>Newspaper Coverage:</u>	
		<u>Average Weekday</u>	<u>Average Sun/Weekend</u>
Own any car bought new	28.4%	73%	73%
Own securities worth \$25,000 or more	6.0	80	78
Bought pocket or hand-held calculator in last 12 months	14.3	72	70
Users of domestic table wine	35.9	72	73
Have homeowners or personal property insurance	59.7	72	71
Family restaurant patrons	40.0	70	70
Outdoor gardeners	33.5	73	70
Domestic airline travelers (last 12 months)	15.4	74	75
Users of suntan and sunscreen products	41.8	70	71
Spend \$61 or more per week on food and grocery items*	39.2	71	70
Users of diet or low-calorie cola	30.9	71	69
Own smoke/fire detector	32.1	73	75
Bought men's jeans in past 12 months**	38.5	67	68
Heavy users of cold cereals*	31.4	70	68
Voted in last 12 months (federal, state or local election)	53.1	73	71

*Based on female householders reporting for household.

**Based on males.

Source: Simmons Market Research Bureau, 1981.

Daily Newspapers: Typical Reach and Frequency Patterns
at Varying Levels of Penetration

<u>One Issue Reach:</u>	<u>Number of Weekday issues:</u>			
	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>
<u>20%</u>				
Reach	25%	28%	30%	32%
Avg. Freq.	1.6	2.1	2.7	3.2
<u>25%</u>				
Reach	32	35	38	39
Avg. Freq.	1.6	2.1	2.7	3.2
<u>30%</u>				
Reach	38	42	45	47
Avg. Freq.	1.6	2.1	2.7	3.2
<u>35%</u>				
Reach	44	49	52	55
Avg. Freq.	1.6	2.1	2.7	3.2
<u>40%</u>				
Reach	50	56	60	62
Avg. Freq.	1.6	2.1	2.7	3.2
<u>45%</u>				
Reach	57	63	67	69
Avg. Freq.	1.6	2.2	2.7	3.3
<u>50%</u>				
Reach	63	70	74	76
Avg. Freq.	1.6	2.2	2.7	3.3
<u>55%</u>				
Reach	69	76	80	83
Avg. Freq.	1.6	2.2	2.7	3.3
<u>60%</u>				
Reach	76	83	87	89
Avg. Freq.	1.6	2.2	2.8	3.4

Note: These figures assume a turnover rate of 26%, which is average for metropolitan newspapers. Turnover rates range from about 16% to about 36%. Since the reach and frequency patterns of individual newspapers vary, these estimates should be used only in the absence of local data.

Source: Audits and Surveys, Inc.; Newspaper Advertising Bureau.

Data Regularly Distributed By Media Analysis Unit
Of The Research Department

Cities in the U.S. with two or more newspapers.

Cumulative circulation and rates of daily newspapers in 300 metropolitan markets necessary to obtain minimum 60% household coverage in each market.

Cumulative circulation and rates of Sunday newspapers in top 300 metropolitan markets necessary to obtain minimum 60% household coverage in each market.

Daily newspapers in top 300 metropolitan markets: households, coverage, circulation, open line rate, cost of 1,000 lines, full page, and 20,000 lines.

Daily and Sunday newspapers with zone edition.

Daily newspapers in top 300 metropolitan markets, ROP color edition.

How much do people spend to read daily and Sunday newspapers, 1945-present.

Media breakdown of U.S. agencies billing \$30 million or more.

National advertising expenditures in major media by classification.

Newspaper advertising expenditures.

Newspaper groups--daily--top 300 metropolitan markets.

Newspaper groups--Sunday--top 300 metropolitan markets.

Newspapers in U.S. not accepting beer, wine or liquor advertising.

Newspapers not offering a 2% cash discount.

ROP color premium in top 300 metro markets for 1,000 lines and full page (breakdown by 100 markets--1, 2, and 3 color).

Sunday newspapers in top 300 metro markets; households, coverage, etc.

Total advertising volume in the U.S.--1935 to present--(McCann-Erickson estimates).

U.S. Daily and Sunday newspapers--1945 to present--number and circulation.

Please contact: Economic and Media Analysis Unit (212) 557-1827.

~~CONFIDENTIAL~~

NAB Research Reports

Member Prices

AD READERSHIP

Air Travel Study (1981)	\$ 4.75
Color in Newspaper Advertising: Is It Worth the Money? (1974)	1.50
A Comparison of the Readership of 7- vs. 8-Column National Ads (1972)	1.50
Creative Variables and Ad Readership (1975)	2.00
Do Corporate Ads Get Read? Evidence from a Follow-up Study in 5 Cities (1980)	1.75
Does Corporate Advertising Get Read? (1980)	1.00
Editorial Context: Readership of Men's Interest Ads (Tires) on Sports Pages vs. General News Pages (1972)	1.00
The Effects of Placing Ads for the Same Product Category on the Same Page: A Field Experiment (1976)	3.00
An Evaluation of Changes in Ad Readership Over Time, and Technical Appendix (1972)	2.00
How Newspaper Ads Select Customers (1980)	2/1.00
Norms for the Readership of National Ads and an Analysis of the Readership Effects of Ad Size (1972)	1.00
Readership of Coupon vs. No-Coupon Ads (1974)	1.00
Readership of Small Space National Ads in Newspapers (1968)	1.00
Reliability of Individual Starch Ad Scores (1972)	1.00
Research Facts on Position, Timing and Creativity in Newspaper Advertising (1976)	1.50
Retail Inserts in Daily Newspapers: A Four-Market Readership Study (1976)	2.50
A Study of Blacks in Newspaper Ads (1976)	2.00
A Summary of Research on the Form of Advertising: Layout, Type-Size, Typefaces, Forms of Copy (1971)	1.00
Yardstick of Accumulative Newspaper Ad Readership	2/1.00

~~CONFIDENTIAL~~

NAB Research Reports (continued)

Member Prices

CLASSIFIED ADVERTISING

Classified Advertising: Readership and Use Among Purchasers of General Merchandise and Recreation and Leisure Items (1975)	\$ 2.00
An Eight-Market Study of Recent New Home Buyers (1978)	2.75
Help Wanted Advertising: A National Mail Survey of New Job Holders (1977)	2.50
A National Study of Classified Advertising Readership and Prospect Status (1980)	3.00
A Pilot Study of Classified Advertising Managers' Opinions About the Operations and Prospects of Classified Advertising (1977)	1.50
Principles for Writing Effective Classified Ads for Private Homes (1968)	2.00
Which Ad Pulled Better? Employment Classified Ads (1974)	1.00

COMPETITIVE MEDIA

The Believability of Advertising in Five Media: Results from a Recent Nationwide Survey (1981)	\$ 2.00
A Comparative Study of Dailies and Community Weeklies in the St. Louis Metropolitan Area (1973)	2.00
Dailies, Shoppers and Pennysavers: A Four-Market Study of Readership and Attitudes (1978)	3.00
Direct Mail (1977)	2.00
Newspapers and Direct Mail: A Study of Advertising Believability (1982)	.50
A Pilot Study of Relative Effectiveness of Different Media Mixes in Launching a Motion Picture (1975)	1.50
A Three-City Survey of Recall of Outdoor Advertising (1976)	1.50
Trends in TV Commercial Recall, 1965-1981: A Report on Three Surveys of Prime-Time Network Viewers (1981)	2.50

NAB Research Reports (continued)

Member Prices

MISCELLANEOUS RESEARCH REPORTS

A Five-Market Telephone Survey of "Big Ticket" Purchases (1976)	\$ 1.00
Key Facts About Newspapers and Advertising (1982)	1.50
The Young Homemakers (1974)	4.00
Women, Work and Markets of the 80's (1979)	4.50

NEWSPAPER READERSHIP

Average Weekday and Average Sunday/Weekend Newspaper Coverage of Product and Service Users (1982)	3.00
1981 Daily Newspaper Readership Demographic Tables for Total U.S. and Top 100 Metros (SMRB) (1981)	3.00
1981 Sunday/Weekend Newspaper Readership Demographic Tables for Total U.S. and Top 100 Metros (SMRB) (1981)	3.00
Daily Newspaper: Twelve-Issue Reach and Frequency Tables (SMRB) (1981)	2.00
Local Newspaper Audiences--Seventh Edition, 1979 (1979)	15.00
A National Survey of the Content and Readership of the American Newspaper (1972)	2.00
Newspaper Net Reach Estimator	1.00
The Readership of Newspaper Pages and Sections: Demographic Breakdowns (SMRB) (1982)	1.50

NAB Research Reports (continued)

Member Prices

REPORTS ON SPECIFIC PRODUCTS AND SERVICES

Air Travel Study (1981)	\$ 4.75
Automotive Aftermarket Study (1974)	2.00
1980 Automotive Study: Car Buying Plans and Attitudes of Recent New Car Buyers (1980)	4.75
Average Weekday and Average Sunday/Weekend Newspaper Coverage of Product and Service Users (1982)	3.00
Beer Brand Awareness, TV Viewing and Daily Newspaper Readership Among Male Beer Drinkers (1976)	2.00
Books and Leisure Time (1974)	2.00
Business Air Travel Decisions (1975)	2.00
Eat and Run: A National Survey of Fast Food Patronage (1978)	3.00
The Emerging New Food Shopper (1982)	3.50
Food Shopping and Eating Patterns (1978)	6.00
A Four-Market Survey of Financial Service Users (1977)	3.00
Movie Going and Leisure Time (1974)	2.00
Movie Going in the United States and Canada (1981)	2.50
The New American Home (1981)	2.50
1980 Post-Election Automotive Study (1981)	5.00
Shoppers On The Move (1975)	2/1.00
Shoppers On The Move: Eating an Evening Meal in a Restaurant (1975)	1.00
Sunday Travel Sections and Vacation Travel Prospects: An Eight-Market Study (1980)	4.50
Supermarket Shoppers' Reactions to Future Possibilities (1980)	6.75

Marketing Research Reports (continued)

Member Prices

REPORTS ON SPECIFIC PRODUCTS AND SERVICES (continued)

A Three-City Study of Beer Drinking and Lifestyle (197?)	\$ 2.00
Travel and Leisure Time (1974)	2.00
Wine Drinking and Lifestyle--A Three-City Survey (1973)	2.00
Women and Car Buying (1979)	3.00
Young Men and New Cars Revisited (1974)	2.00
Young Singles and Vacation Travel (1978)	2.75

RETAIL

The Double Dividend: A Study of How Advertising Works for Department and Discount Stores (1977)	\$ 2.50
Eat and Run: A National Survey of Fast Food Patronage (1978)	3.00
The Emerging New Food Shopper (1982)	3.50
Food Shopping and Eating Patterns (1978)	6.00
The Future of Retailing (1973)	1.00
The New American Home (1981)	2.50
The Newspaper Advertising Bureau's UPC Databank--A Preliminary Look (1976)	.50
Retail Inserts in Daily Newspapers: A Four-Market Readership Study (1976)	2.50
Shoppers On The Move (1975)	2/1.00
Shoppers On The Move: Eating an Evening Meal in a Restaurant (1975)	1.00
Supermarket Ads Move Merchandise (1981)	4/1.00
Supermarket Shoppers' Reactions to Future Possibilities (1980)	6.75
Women and Fashion: 1981 Study of Clothes Buying Attitudes and Behavior (1981)	4.50

NAB Research Reports (continued)

Member Prices

SALES EFFECTS OF ADVERTISING

Color in Newspaper Advertising: Is It Worth the Money? (1974)	\$ 1.50
Coupon Facts: Findings on Cents-Off Coupon Usage and Users (1982)	2.00
The Double Divident: A Study of How Advertising Works for Department and Discount Stores (1977)	2.50
The Newspaper Advertising Bureau's UPC Databank--A Preliminary Look (1976)	.50
A Pilot Study of Relative Effectiveness of Different Media Mixes in Launching a Motion Picture (1975)	1.50
The Sales Effects of National Newspaper Advertising for Two Package Goods Products (1978)	1.50
Supermarket Ads Move Merchandise (1981)	4/1.00

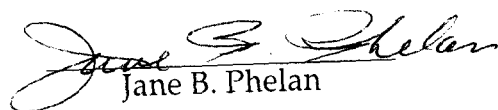
RESEARCH NOTES

No. 1--A Second Look at CPM's: Column Width and SAU's (1982)	.50
No. 2--Daily Newspaper Coverage of People in High-Level Occupations (1982)	.50
No. 3--The Uses of Readers-Per-Copy Estimates (1982)	.50
No. 4--Television Program Listings: Newspapers vs. TV Guide (1982)	.50
No. 5--Moviegoers Assess Their Movie Theatres (1982)	.50

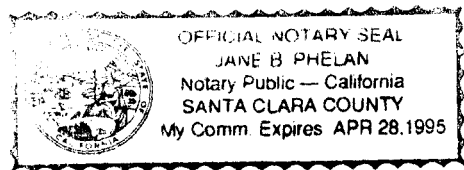
NOTE: In some cases the same research study is listed under two categories.



This is Exhibit I to the
Affidavit of James N. Rosse
Sworn before me on the 16th day
of August, 1991


Jane B. Phelan

A Notary in the State of California



James N. Rosse
August 16, 1991

Received 5/22/91

FIELD'S

Inter-Office Correspondence

11/20/90

TO: Stores affected by
Canada Post Rate

DATE: November 20th, 1990

FROM: Cecilia Fatiguso
Advertising Department

SUBJECT: Flyer Distribution

c.c. M. Kuhn
District Managers

FLYER DISTRIBUTION THROUGH CANADA POST

Our Main Objective: To cut back our advertising costs immediately.

Our flyer distribution method is the first area where we feel we are able to cut back costs without making drastic changes that would affect all stores. Rather than cut back your flyer distribution, we have found a way to simply reduce our flyer insertion rate for stores that have an insertion rate higher than 3.6 cents per flyer.

Canada Post has agreed to distribute our flyers at a special rate of 3.6 cents each. Attached, is a list of all the stores that may be affected by Canada Post's proposed offer. Your district managers have been contacted and they all support the switch to Canada Post. You have two options to choose from:

OPTION #1:

You can keep using your current distribution method if you feel it is the best method for your area, despite the current higher flyer insertion rate or better yet, if they will match Canada Post's rate. However, we cannot guarantee that your flyer quantity won't be decreased. Please make sure your flyer distribution does not include businesses. We only want to reach homes (and apartments if the paper delivers door-to-door, NOT if they are left in a stack in the lobby).

REQUIREMENTS: If you remain with your current flyer distribution method I need an update on your flyer distribution breakdown from your newspaper or flyer service for Head Office files. I would also like to receive the new 1991 rate card sheets from your local newspaper for display ads and flyer insertion if they are available at this time.

attention: Norm Severud

OPTION #2:

You can switch to postal delivery. Simply contact your local Post Master to discuss exactly where your flyers will be distributed. We want to reach homes and apartments. Please do not include businesses. If you use the same newspaper for ads and flyer distribution and your display ad rate increases as a result of switching over to Canada Post, please let me know. Your flyer quantity will not change at this time.

REQUIREMENTS: Once you have confirmed your distribution area with the Post Master, please forward a flyer distribution breakdown immediately to Head Office. I also require the new 1991 rate card sheet from your local newspaper for display ads if it is available at this time.

When you switch to postal delivery we need your help in keeping a close watch on the flyer distribution in your area. Canada Post's services will initially be used, on a trial basis, to cut our costs in the short term. They have guaranteed us the best service. Any concerns should immediately be directed to your local postmaster and to me so that I can contact our Canada Post representative here in Vancouver. We will give Canada Post a firm commitment if their flyer distribution method is successful for us. Please note that your local postmaster has also been notified of the proposal and is prepared to assist you. I need a written response by no later than Monday, December 3rd.

We hope to expedite the switch to Canada Post as soon as possible. Your cooperation in this matter is greatly appreciated.

Thank-you!


Cecilia Fatiguso

/cf

Attachments

Woodward's

Advertising
101 W. Hastings St.
Vancouver, B. C.
V6B 4G1

March 22, 1988

Mr. Mike Goodsell
The North Shore News
1139 Lonsdale Avenue
North Vancouver, B. C.
V7M 2H4

Dear Mike:

As you are no doubt aware, we have been altering our distribution patterns for our preprinted program for the last few years. These adjustments are made to ensure that we are getting the best possible distribution, in a given area, at a price we can afford, on the day we want.

Our latest look at distribution is not good news for the North Shore News. Effective Tuesday, April 12, 1988, we will be carrying our preprinted insert in the Vancouver Sun supplemented by Flyer Force on Wednesday in selected areas of North and West Vancouver.

Mike, we will be going with this method of distribution for the time being. However, if our monitoring tells us we are not achieving the expected results, a further review will be called for. Thank you for your service to Woodward's. We hope you will keep in touch with us.

Yours truly,
WOODWARD STORES LIMITED

Roy

Roger W. Prouse, Manager
Preprints, Catalogues & Distribution

RWP/bw

cc J. Mar, R. P. Crowe, J. Ziesman

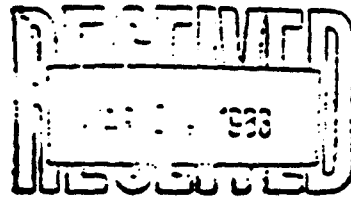


Exhibit No. 8
Exam of Peter Sack
Date June 20, 1991
Vivian Chew
Official Reporter

RECEIVED
SEP - 9 1988
RECEIVED



Exhibit No. 9
Exam of Peter Speck
Date June 20, 1991
Vivian Chew
Official Reporter

September 8, 1988

North Shore News,
1139 Lonsdale Ave.,
North Vancouver, B.C. V7M 2H4

Attention: Mike Goodsell

Dear Mike,

This letter will act as confirmation that Woodward's Foods
will discontinue flyer inserts with your newspaper after September 18.

This will be in effect until further notice.

Thank you for your attention on this matter.

Lorne Stead,
Woodward's Foods Advertising.
cc L.Herback

Linda

F.Y.I.



Woodward's Limited

P.O. Box 8600
101 West Hastings Street
Vancouver, B.C.
V6B 4G1
Telephone (604) 662-4131
Fax (604) 662-4125

November 16, 1990

WOODWARD'S

Mr. Mike Goodsell
NORTH SHORE NEWS
1139 Lonsdale Avenue
North Vancouver, B.C.
V7M 2H4

Dear Mr. Goodsell:

This letter is to advise you that we have recently been evaluating Ad Mail (Canada Post), distribution in selected test markets.

These tests have proven to be successful and therefore, we are extending Ad Mail distribution to all markets commencing the week of November 12th.

We will continue to closely monitor our results and will be reviewing each market area at the end of the spring season.

At this time, we would like to take this opportunity to thank-you for your support to Woodward's.

Sincerely,

Neil Fedun
Vice-President, Marketing

cc: R. Crowe, Palmer Jarvis
L. Homewood

NF/aw