



*Southam - Appert -
Aug 15/91*

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

B E T W E E N:

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

AFFIDAVIT OF CHARLES DUNBAR

I, Charles Dunbar, of the City of Hamilton, in the Province of Ontario, MAKE OATH AND SAY:

1. Since 1988 I have been the President of Tristero Consultants Inc. of Toronto, Ontario. Tristero Consultants Inc. is a media research and marketing company. At Tristero Consultants Inc., I have conducted research planning, management, and evaluation for newspapers, newspaper associations and others with respect to virtually all major aspects of the newspaper industry.

COMPETITION TRIBUNAL		P R O D U I T
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OTTAWA, ONT.		#152

2. From 1985 to 1988, I was Vice-President and Partner at Rannaud and Dunbar Inc. in Montreal, Quebec. Rannaud and Dunbar Inc., an advertising agency, specialized in providing advertising, marketing and research services to various media industry clients, including daily newspapers.

3. From 1982 to 1985, I was the Research Director at Le Journal de Montréal. I was responsible for all research on readership, circulation, editorial interest and advertising expenditures for Le Journal de Montréal, as well as Le Journal de Québec. During this time, I had occasion to deal with the NADbank and Print Measurement Bureau (PMB) databanks.

4. From 1970 until 1981, I was employed at various advertising agencies in Montreal and Toronto.

5. I am currently a member of the Newspaper Research Council (NRC), and on the Board of Directors, of which I am a past chairman, and on the Technical Committee of the Canadian Advertising Research Foundation (CARF), the advertising industry body responsible for media and research standards and appraisals. I am also a former member of the Technical Committees, of the Print Measurement Bureau (PMB) and of NADbank '84.

6. I have been retained by Southam Inc. to summarize and describe the characteristics of the Canadian daily and community newspaper industries. I was asked to specifically address to what extent any national patterns in the daily and community newspaper businesses compare with those businesses in the Vancouver area.


7. My ability to comment and advise Southam is based on my experience in the daily newspaper industry, advertising industry and my knowledge of media research and marketing. I have also been provided with and I have had full access to information from Southam Inc.

8. Attached hereto as Exhibit "A" to this my affidavit is a true copy of the report prepared for Southam Inc. pursuant to their request.

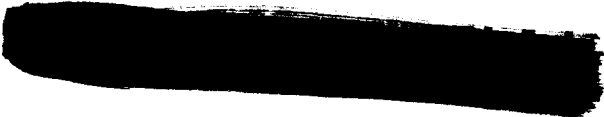
Sworn before me at the)
City of Toronto in the)
Province of Ontario)
this 15th day of August 1991.)



CHARLES DUNBAR



A Commissioner, etc.



This is Exhibit "A" to the
Affidavit of Charles Dunbar,
Sworn before me on the *15th* day
of August, 1991


A Notary, Etc.

CHARLES DUNBAR

August , 1991

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EXHIBIT "A"

A. BACKGROUND

1. In Canada, daily newspapers are defined as newspapers published at least five times a week in either of the two official languages. Currently, there are 108 daily newspapers in Canada. 76 cities have only one daily newspaper, while in 13 cities, two or more daily newspapers are published. Two newspapers are published by one publisher in each of six cities - Halifax (Dennis group), Charlottetown (Thomson Inc.), Saint John (Irving group), Toronto (Toronto Sun Publishing Corp.), Thunder Bay (Thomson Inc.) and Vancouver (Southam Inc.).

2. Daily newspapers function as mass media (a mass or broadly based medium being one that is not directed toward a specific audience, but is directed at all types of people) vehicles within defined geographical markets that are either metropolitan, regional or provincial. The exceptions to this rule are the two Toronto dailies with extensive national distribution: the Globe and Mail and the Financial Post.

3. Community newspapers are newspapers appearing in one of the two official languages that publish at less than daily frequency. Most publish on a weekly basis (hence "weeklies"), while some publish two, three, or even four times a week, and some publish every other week. The frequency of publication is directly related to the advertising budgets available in the geographical area of distribution of the community publication, as the majority of community newspapers are controlled circulation publications. In rural areas, there are still some paid circulation weeklies, but in urban or suburban areas such weeklies are rare.

4. A distinction should be made between the editorial content of rural community newspapers and those found in metropolitan areas. In outlying rural areas community newspapers often still are a primary print medium, because of the low penetration of daily newspapers. As such, their editorial news content is not necessarily limited to local issues, as is the case with community newspapers in, or on the fringe of, metropolitan areas. The kind of community newspaper published by the late Ma Murray of Lillooet- Bridge River should not be confused with the kind of community newspaper dropped unbidden at residential doors in the any major city in Canada.

5. Metropolitan community newspapers usually serve a municipality within a metropolitan area, or a part of one, or a group of municipalities which together have some common geographical definition. I have not discerned any substantial difference in the Vancouver metropolitan community newspapers as compared to those in Toronto and Montreal.

6. There are four basic measurements of a newspaper's size or success within a geographical market. These are: a) circulation; b) household penetration; c) population penetration; and d) readership. These terms are related, but not synonymous.

7. The Audit Bureau of Circulation (ABC) publishes circulation figures for daily newspapers for each publishing day of the week, based on the past three, six, or twelve months. The figures are for "paid" circulation, where "paid" is defined as "a classification of subscriptions or purchases based upon payment in accordance with the standards set by the [ABC] rules". All major Canadian dailies, with the exception of the Globe and Mail, are members of ABC. Some community newspapers are audited by ABC, but most have their controlled circulation measured according to the less rigorous standards of the Canadian Circulations Audit Board (CCAB). For example, since a controlled circulation publication distributed on an unaddressed basis has no equivalent of a "subscriber", verification of a customer list cannot take place.

8. Canadian average circulation figures have traditionally been calculated by taking the sum of copies sold by a daily newspaper in one week, and then dividing that sum by the number of days that the newspaper publishes in one week. This traditional method of calculation shows that total

circulation of Canadian daily newspapers has increased by 20.8% over the period 1971-1990, a rate of increase slightly lower than that of the population, and substantially lower than the rate of increase of the number of households. Over the period 1971-1990, the combined circulation of the Vancouver Sun and the Province increased by 26.5%. In the past year (1990-1991), Canadian daily newspaper circulation decreased 2.8%, while the combined circulation of the Sun and the Province decreased 1.3%.

9. Two geographical areas of circulation used in ABC reports are the City Zone and the (larger) Retail Trading Zone. These areas are defined by ABC "after consultation with the publishers in the city of publication" and are not necessarily the same as any municipal boundaries or Census Metropolitan Areas (as defined by Statistics Canada).

10. All Canadian daily newspapers are "paid circulation" publications. For a copy to be counted as paid circulation by ABC standards, a single copy must be paid for at not less than 50% of the basic single copy price, while, on a term order for a year, a subscription must be paid for at not less than 50% of the basic annual price. Advertisers and their agencies have always placed a premium upon a publication having paid circulation because they are assured that the initial recipient of the publication wants it enough to pay for it.

11. "Controlled circulation" publications are distributed without cost to the recipient by: a) door-to-door distribution within a defined geographical area; b) in stores, malls, bars, restaurants or other high-traffic areas; c) in street boxes; or d) according to mailing lists or postal routes. Advertisers discount the value of a publication having controlled

circulation rather than paid circulation, as there is no assurance that the initial recipient of the publication wants it enough to read or look into it.

12. Subscriptions are generally sold on a weekly, monthly, quarterly or annual basis. Most Canadian daily newspapers have always counted on subscription sales for the vast bulk of their circulation.

13. Single copy sales - whether by stores, street boxes, newsstands, or hawkers - have traditionally been devalued by publishers and advertisers alike. The success of single-copy sales based tabloid newspapers that began in 1964 with Le Journal de Montréal and, in 1971, with the Toronto Sun has altered this attitude. Changing lifestyles and household composition, as well as the problems of ensuring dependable home delivery in high-rise apartment buildings, are all responsible for the increasing adoption of the notion that a paid copy is a paid copy, no matter whether a subscription or a single-copy sale.

14. Bulk sales, or sales of daily newspapers in quantity for less than 50% of their single copy price - usually to hotels and airlines - have always been discounted by publishers and advertisers, as well as not being accepted by ABC as paid circulation, but rather counted in a separate category, as there is no guarantee that a bulk copy of a daily newspaper is read or looked into by anyone.

15. Community newspapers are generally delivered within one twenty-four hour period, unlike daily newspapers whose delivery is completed within a shorter time. There is no general rule as to which day (or days) of the week community

newspapers are published, although Saturday publication is rare. Newspapers are usually delivered to every residential door within the defined area of distribution of the community newspaper, although this becomes problematic in the case of high-rise apartment buildings. Because of security concerns, access to individual apartment doors is difficult to secure, and only Canada Post has access to the residents' mail boxes. The result is that large quantities of community newspapers end up being dumped in apartment building lobbies, where the residents are free to pick one up or not as they choose.

16. Household penetration is a traditional measure of the strength of newspapers in the marketplace. In a situation where 100% penetration was achieved, a newspaper would sell (or distribute) one copy per household in its market. However, just because a publisher claims 100% household penetration in an area, it does not follow that a copy of the publication has entered every household in that area, but rather that the number of copies available for distribution is equal to the number of households.

17. None of the measures of Canadian daily newspaper circulation growth has achieved as high a rate of increase as the 58.4% increase in the number of households over the 1971-1990 period. Hence, household penetration by Canadian daily newspapers has declined over the past twenty years. In the past year 1990-1991, there was an increase of 2.2% in the number of Canadian households. In the period 1971-1990, according to ABC, the number of households in the Vancouver City and Retail Trading Zones has increased 94.1%. However, the geographical area covered is now larger than in 1971, which is not the case for the Canadian figures. Nevertheless, household penetration by daily newspapers in Vancouver has declined over

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this period, with 1991 average household penetration of 59% for the two daily newspapers. This is quite comparable to the Canadian average, which is 58%.

18. Population penetration by daily newspapers is an evaluation of circulation trends based on the criterion of the average number of copies sold per person. Population penetration by Canadian daily newspapers, when circulation is calculated according to the traditional method, has remained remarkably stable over the period 1971-1990. The average number of copies sold per person per publishing day has remained in a narrow range of 3.6% variation, with only a 1.3% decline over the entire period. In Vancouver, using ABC population estimates for the City and Retail Trading Zones, population penetration has decreased 16.4% during the period 1971-1990. As mentioned before, the geographical areas measured have been enlarged over this period.

19. Penetration data is a mathematical calculation that relates the number of newspapers distributed in a geographical area to the number of households or people in that area. If the number of newspapers distributed is based on paid circulation, then the calculation indicates the level of willingness to purchase that newspaper in the geographical area. If the number of newspapers is based on controlled (or unpaid) circulation, then it merely indicates the level of the publisher's willingness to offer the opportunity to read or look into the newspaper to those resident in the geographical area.

20. Readership is a measure of the number of people (or the audience) who have read or looked into a specific newspaper in a defined geographical area based on a time period such as "yesterday", or "in the last seven days", or "Monday to

Friday". These data have been developed in Canada over the past 30 years in response to demands by advertisers and their agencies to replace circulation and/or penetration data by information better suited to the need of advertisers and their agencies to have quantitative audience research data to evaluate media in their advertising planning process, as well as for the internal planning process at daily newspapers.

21. The data on daily newspaper readers is necessary to make comparisons with data on television viewers, radio listeners, and magazine readers. The information is collected in surveys based on probability samples.

22. The Newspaper Audience Databank (NADbank) has been developed by the Newspaper Marketing Bureau (NMB) over the course of the last decade. The NMB is charged with the responsibility of selling daily newspapers as a national advertising medium in competition with the other national advertising media: specifically television, radio and consumer magazines. It maintains offices in Toronto, Montréal and Vancouver: the three cities where the majority of national advertisers and advertising agencies are concentrated.

23. The purpose of NADbank is to provide data on daily newspaper readership habits and consumer product and service usage that would enable daily newspapers to compete with equivalent databanks already established for television, radio, and consumer magazines. It currently measures daily newspaper readership by Adults Age 18+ for 48 newspapers in 32 markets. The total sample for NADbank in the Vancouver CMA is 1,533 telephone interviews. Information in NADbank is available to all advertisers and agencies without charge in order to

encourage its use, and the use of daily newspapers. Other media databanks, established and accepted before NADbank was started, charge fees in order to have access to their data.

24. The standard form of questioning to establish readership of a single weekday issue is on the basis of "the daily newspaper read or looked into yesterday". Weekend data is based on "the daily newspaper read or looked into last weekend". The audience estimates derived from these questions give the best estimate of the maximum number of readers of any part of the daily, as well as the number of people who have the "opportunity-to-see" any specific advertisement carried in the newspaper. These are the figures used to evaluate costs-per-thousand (CPMs) or cost-per-points (CPPs) in comparison with other newspapers or with other media.

25. In NADbank'90, the "read yesterday" figure for the Vancouver Sun was 36.4% of the population Age 18+, while the "read last Saturday" figure was 43.8%. For the Vancouver Province, the "read yesterday" figure was 39.0%, while the "read last Sunday" figure was 34.9%. The figures are quite comparable with those of other Canadian daily newspapers in markets with more than one daily newspaper.

26. However, to estimate the total weekly audience of a daily newspaper (i.e. those who have read or looked into at least one copy of a specific newspaper in the last seven days), a mathematical model is used to create a "seven day cumulative" audience. This is the best estimate of the total number of people in the CMA who are loyal or occasional or even very occasional readers of a daily newspaper. For the Vancouver Sun, the NADbank'90 weekly cumulative figure is 60.9% of Adults Age 18+, while that of the Province is 58.9% of Adults Age 18+.

27. Daily newspaper audience data in NADbank is limited to Adults Age 18+; magazine audience data in the Print Measurement Bureau (PMB) study is based on Persons Age 12+; radio audience data in the Bureau of Broadcast Measurement (BBM) study is based on Persons Age 7+; and television audience data in the BBM study is based on Persons Age 2+. Hence, the NADbank study does not include daily newspaper readers under the age of eighteen who are counted as members of the audiences of other media in any of the other three studies.

28. There is no reliable measure of readership of English-language community newspapers equivalent to the daily newspapers' NADbank study.

29. The average Canadian newspaper reader spends just over fifty minutes per issue with a weekday newspaper, and one-and-a-half hours per issue with a weekend newspaper according to NADbank'90. The weekday average is less than the average of about one hour a day that the average magazine reader spends with consumer magazines according to PMB'91. Both the weekday and weekend averages are substantially less than the three hours that BBM estimates that the average radio listener spends with radio per day, or the three-and-a-half hours that BBM estimates that the average Canadian television viewer spends with television per day.

30. In spite of the short exposure to daily newspapers compared to other media, daily newspapers have intrinsic advantages that the other media do not. The advantage that daily newspapers have compared to magazines is a greater sense of immediacy due to the newspaper being a daily publication. The advantage that daily newspapers have compared to broadcast is the ability of the reader to pick and choose those items

that are of interest, and skim over or ignore the rest of the content. People only read what is of interest to them. Sometimes it is a headline, sometimes an editorial, sometimes an advertisement, sometimes a cartoon. They are not forced to endure content that is of no interest to them in order to get to the parts that are of interest.

31. Daily newspapers have only two sources of revenue from operations; namely, circulation and advertising. The ratio between the two for the Canadian daily newspaper industry was 22%:78% in 1986, the most recent date for which industry figures are available.

32. During the 80's, the majority of Canadian newspapers had a weekday single copy price in their primary markets in the range \$0.25 to \$0.40. There was much reluctance to raise weekday single copy prices because of demonstrated consumer resistance to attempts that were made by major daily newspapers in leading markets, resulting in markedly lower weekday single copy sales for these newspapers. With the advent of GST in 1991, the majority of newspapers now have a face price (single copy price plus GST) of \$0.50. The Province and the Vancouver Sun, at \$0.55 face price each are both above this level, indicating what is probably a limited margin of manoeuvre as far as increasing circulation revenues by increasing weekday single copy prices.

33. Weekend single copy prices have always fallen within a less determinate range of pricing because of the wide range of types of products offered. Most are now offered in the \$0.75 to \$1.25 range. Once again, the Province, at \$1.00 Sundays, and the Vancouver Sun, at \$0.75 Fridays, and \$1.00 Saturdays, have a limited margin of manoeuvre to increase circulation revenues.

34. Subscription prices closely reflect single copy pricing. While promotional pricing for limited periods is frequently offered on an introductory basis, the vast majority of Canadian newspaper subscribers are paying full subscription prices according to a recent study by the CDNA. The possibility of increasing revenues by raising subscription prices is as limited as is that for single-copy prices.

35. The amount of space in a daily newspaper that can be sold to advertisers is not unlimited. Daily newspaper readers expect that their newspaper will have substantial editorial content--international, national, provincial and general news, features, business, entertainment, comics, photos--and not just in the spaces that are left over between the advertisements. Because of this, most Canadian daily newspaper publishers maintain a ratio in the range of 40-45% editorial to 55-60% advertising. Unless a daily newspaper publisher is willing to pay to provide this amount of editorial content, there is a severe risk of reader disaffection. Both the Province and the Vancouver Sun are within these ranges.

36. Advertising revenue comes from three sources: national advertisers; local or retail advertisers; and classified advertisers. During the period 1981-1990, national advertising revenues for the Canadian daily newspaper industry were in the range of 18.7% to 22.0% of all ROP (i.e., run-of-the-press or display) and Insert advertising revenues, with the 1990 figure being 22.0%. Local or retail advertising revenues were in the range of 50.0% to 58.7% of all advertising revenues, with the 1990 figure being 50.0%. Classified advertising revenues were in the range of 22.6% to 28.0%, with the 1990 figure being 28.0%.

37. National advertising is advertising placed by manufacturers and packaged goods companies, beverage makers, financial institutions, marketing boards, airlines and similar organizations who in most cases do not provide their goods or services directly to the consumer. Federal and provincial governments and utilities fall into this category as well. Most of their advertising is placed by advertising agencies, who receive a 15% commission (plus 2% for prompt payment) on the national advertising rate from the media they use. National advertising rates for daily newspapers used to be substantially higher than local or retail rates than the 15% (plus 2%) commission alone would justify, and no volume discounts were given.

38. Over the past five years, under pressure from the Association of Canadian Advertisers (ACA), many Canadian daily newspapers have moved toward parity with the local or retail rates. The move towards rate parity shows clearly that daily newspapers cannot independently charge whatever they choose for their advertising space, as advertisers can move their budgets to other media, such as television, radio, consumer magazines and out-of-home (billboards, transit, mall posters, etc.) media if they so choose.

39. In 1990, national advertisers in Canada spent \$1,161,627,000 on television; \$491,432,000 on daily newspapers; \$189,688,000 on radio; \$69,000,000 on community newspapers; and \$1,100,000 on weekend supplements. The national advertising share of the \$252,570,000 spent on general magazines is not broken out in Maclean Hunter Research Bureau (MHRB) figures, but it would be a majority of this amount. Similarly, the national advertising share of the \$764,777,000 spent on out-of-home media is not broken out, but it would not be a majority of this amount.

40. Over the period 1971-1990, Canadian national (or general) ROP advertising lineage in daily newspapers has increased only 16%. Over the period 1981-1990, it has declined 10%, having never fully recovered from a 21% drop in the recession year of 1982. For the Vancouver Sun, there has been a drop of 12% over the period 1981- 1990, while for the Province there has been a drop of 9%.

41. Retail advertising is advertising placed by companies or organizations offering goods or services at a specific address or addresses within the geographical area served by the medium. Daily newspapers traditionally offered retailers a lower and non-commissionable rate than national advertisers on the basis that their specific locations (or restricted trading areas) meant that they could not avail themselves of the benefit of the entire readership of the daily, as could the national advertisers. In addition, they were offered volume or frequency discounts because of their regular use of the daily newspaper, in contrast with most national advertisers who are occasional advertisers in dailies. With the advent of "national retailers", regional retail chains and dealer associations, the distinction between national and "local" (i.e., used as a synonym for retail) advertising has blurred, and, as mentioned above, the rates are approaching parity.

42. Major retailers are those whose geographic trade areas, either singly or in total for all outlets, amount to a substantial part of the market covered by the local media. A major retailer (such as Ikea) may have only one store, drawing customers from all over the market. On the other hand, a supermarket chain may have locations carefully spaced throughout the market so that over 90% of the population is within a short distance of at least one of their stores.

43. Major retailers can make very effective and efficient use of mass media, and are often very sophisticated advertisers, judging their campaigns by reach & frequency data and cost-per-thousand (CPM) exposures in the same manner as national advertisers. Most use advertising agencies, or have in-house services responsible for advertising and promotion. When they use daily newspapers for their advertising, they can use display advertising printed in the newspaper (called Run-of-Press or ROP advertising), or they can insert pre-printed flyers or supplements into some or all of the copies of the newspaper.

44. When major retail advertisers use display advertising, their advertisement is targetted to all of that part of the geographic market reached by the daily newspaper. Their advertisement competes for the reader's interest with all of the other contents of the daily, but at the same time benefits from the reader's interest in what is in the newspaper that day.

45. Local retailers (those with one outlet, or a very limited chain of outlets) use daily newspapers on a small-scale, but regular, basis when their trading area extends over the broad geographical area of the market. Local retailers who have a limited trading area (or areas) use daily newspapers only infrequently, as the absolute cost of an advertisement is high compared to other more efficient methods of reaching their normal target audience. When they do use daily newspapers, it tends to be on a seasonal basis - e.g. at Christmas for a gift shop; during spring planting season for a nursery; or late August for a children's wear store. The rest of the year they depend on the business of those living in their immediate trading area, and use advertising targetted to that area.

46. In 1990, retail advertisers in Canada spent \$1,116,892,000 on daily newspapers; \$621,823,000 on community newspapers; \$597,399,000 on radio; \$374,917,000 on television; and \$20,623,000 on weekend supplements. While MHRB does not break out the retail share of the following expenditures, it would represent the majority of each of the following categories: \$1,109,604,000 on directories (phone, city); \$275,334,000 on catalogues; and \$1,230,933,000 on other printed material (which includes flyers as a major component).

47. Over the period 1971-1990, Canadian retail ROP advertising lineage in daily newspapers has increased only 17%. Over the period 1981-1990, it declined by 20%, beginning with an 11% drop in the recession year 1982, and drifting down thereafter. During the period 1981-1990, retail advertising lineage in the Vancouver Sun declined 44%, while that in the Province increased 67%.

48. Classified advertising is the least expensive form of mass media advertising available when considered on an absolute cost per advertisement basis. Although primarily used for business-to-consumer advertising, it is the one form of mass media advertising affordable to the average individual, and is thus also used for individual-to-individual advertising, as well as individual-to-business advertising. In Canada, the strengths of classified advertising have traditionally been in the following areas: a) real estate sales and rentals; b) automotive resale; c) help wanted and positions wanted; d) household services; and e) household goods resale. Because classified advertising generally requires response to a telephone number or a box number, its effectiveness is easy for even the most unsophisticated advertiser to judge.

49. Over the period 1971-1990, Canadian classified ROP advertising linage in daily newspapers grew 75%. Over the period 1981-1990, it grew by 8% in spite of a 20% drop in the recession year 1982. In the case of the Vancouver Sun it decreased 29% during the period 1981-1990, while in the case of the Province it increased 143%.

50. Canadian daily newspaper publishers have generally accepted pre-printed flyers as inserts in their newspapers since the late '60s, initially charging the same line rate as that charged for ROP display advertising. However, the attempt to prevent transfer of media dollars from ROP to inserts failed by the early '80s, as the increased competition for decreased media budgets during the recession of 1982-1983 forced the daily newspapers to accept inserts at rates far inferior to equivalent ROP rates.

51. When major retailers use pre-printed flyers inserted in the daily, they can use the entire circulation, or restrict the insert to a part of the total circulation, such as home delivery copies only. With inserts, the advertiser can achieve better reproduction than is possible on newsprint, which is important for those advertisers using colour. The advertiser using inserts loses some of the benefit of the reader's interest in the editorial context in which ROP advertising appears, but even if the advertiser uses only part of the circulation of the daily, the insert is still targetted to a segment of that part of the market reached by the daily newspaper. However, the editorial environment of a daily newspaper for flyer distribution is no longer viewed by advertisers as the strong selling point that it once was. Instead, the advertisers' attitude is that all else being equal (including price), it better to be in an editorial context, but that this is no longer a decisive factor.

52. Over the period 1971-1990, Canadian insert advertising lineage of flyers in daily newspapers increased 825% from a very small base in 1971. Over the period 1981-1990, it grew 86%, in spite of declines in the last two years of the decade. These declines in insert lineage, of -2.3% in 1989, and of -3.9% in 1990 are being attributed by the Canadian daily newspaper industry to the increasing incursion of Canada Post's AdMail delivery of pre-printed flyers at rates with which the newspapers, and other methods of flyer distribution, cannot compete. The Coalition of Canada Post Competitors claims that "Canada Post...uses the enormous revenues generated by exclusive-privilege lettermail to subsidize losses on competitive products", and points out that in 1990-1991 "unaddressed admail" (flyer distribution) leaped 17 percent. (See Appendix "A") Curiously, Canada Post's competitors, the courier companies, newspapers, and advertising distribution companies, either had marginal gains in 1990, or showed no growth at all." Part of the reason for AdMail's strength is Canada Post's access to mail boxes in high-rise apartments, which puts an end to the advertisers' fear that large numbers of copies of his flyer will be 'dumped' in apartment lobbies, or not delivered at all. (See Appendix "B", Report of Ad Mail Task Force).

53. Insert lineage at the Province declined by 42% over the period 1981-1990, in spite of increases of 21.1% and 161.6% in the past two years (on a very low base). Insert lineage at the Vancouver Sun increased by 98% over the period 1981-1990, but decreased by -2.5% and -15.5% in the past two years. The trends indicated by these figures agree with the statement in the 1986 Urban Associates Study that "advertisers seem quite content with their current flyer-oriented programs", but that daily newspapers are but one form of distribution that is considered for them.

54. The advertising price structure of daily newspapers in Canada can generally be set out as follows. The price structure of display advertising is based on a cost per agate line. An agate line is one-fourteenth of an inch in depth, and one column wide. A column is of a width established by the publisher. Most broadsheet Canadian newspapers use a standardized modular agate line (MAL) resulting in six columns to a page. Most broadsheet pages are around 300 agate lines in depth, which means that there are approximately 1,800 MALs to a page. Some tabloid newspapers use a version of the MAL resulting in five columns on a page approximately 200 agate lines deep, resulting in 1,000 agate lines per page. Other tabloid newspapers use six or seven narrower columns to a page, resulting in 1,200 or 1,400 agate lines to a page.

55. Most broadsheet newspapers use eight or nine narrower columns for their classified sections, while tabloid newspapers generally use six or seven columns. Classified advertising is usually sold on the basis of a word count, or the number of lines of a standard size of type used in their classified advertising. Display classified advertising - i.e. advertisements with design elements such as borders, arrows, logos, or a mixture of various typefaces - are sold by agate lines or column inches.

56. The cost of inserting flyers is generally based on the page size multiplied by the number of pages per copy multiplied by the quantity to be inserted (in thousands).

57. Most Canadian daily newspapers offer discounts for contracted volumes of advertising lineage, and many offer discounts for contracted frequencies of advertising. Most daily newspapers in Canada also charge premiums for guaranteed

preferred position of advertising, such as a back page, or the top of a column. All dailies charge a premium for colour advertising when available, with the premiums increasing depending on the number of inks used.

58. Advertising line rates for an individual daily newspaper usually vary with the average circulation of the day of the week that the advertisement is to run, with weekend editions thus generally commanding a premium over weekday editions for display advertising.

59. Classified advertising prices traditionally did not vary with the day of the week because of the difficulty in administering more than one set of rates for such a substantial number of advertisements, most of which run for more than one day, but computerization has enabled larger daily newspapers to extend the premium pricing for higher circulation to this area as well.

60. The price structures of the four categories of daily newspaper advertising - national, local or retail, classified, and inserts - are closely interrelated. As mentioned above, national and retail rates are moving toward parity across the Canadian daily newspaper industry. (in Vancouver, the Province has achieved parity, while the Sun has moved towards it). Whereas daily newspaper publishers could previously increase national rates without any effect on retail rates, this is no longer acceptable to national advertisers. Similarly, maintaining artificially low retail rates means decreasing the revenue base that can be generated by national advertising.

61. If classified advertising prices are artificially low, there will be some leakage of smaller retail advertising budgets into the classified section. At the same time, there

will be a need to increase advertising revenues from display advertising to make up the lost revenue. If classified advertising rates are maintained at artificially high levels, the daily newspaper risks spawning competitive specialized classified advertising publications (see below).

62. Inserts are even more problematic. If pricing is maintained at a high level to discourage advertising budgets from being transferred from ROP advertising to inserted pre-printed flyers (as was attempted in the past), then the newspaper risks losing the advertiser's budget to a competitor who can offer efficiencies of distribution and pricing that the daily cannot match.

63. If the daily newspaper offers insert pricing at rates comparable to its lowest-cost competitor, then the publisher risks converting major retail ROP advertisers into insert advertisers because the increased in-house or contracted out cost of production of the flyers (compared to ROP advertisements) will be more than justified by the lower distribution (or use of media) cost. Thus, the advertising revenue to the newspaper will be reduced, and the daily newspaper will put itself at risk of losing an advertising client to any less expensive form of flyer distribution.

64. As a result, the advertising price structure of a daily newspaper can be seen to be far less flexible than would appear at first sight. The only area of advertising pricing that is not subject to the same restraint is that of premium pricing for colour and preferred placement. Since these are options used at the advertiser's discretion, the price flexibility here is higher than for any other part of the pricing structure.

65. Maintenance of the advertising price structure is important to a daily newspaper because of the extremely high fixed costs of producing a daily newspaper. Because a daily newspaper is a paid-circulation publication, it must maintain a circulation department that is not only capable of delivery of a newspaper on a daily basis, but which is also staffed to solicit subscriptions and to handle all matters relating to customer service, and billing and receiving payment for all paid-in-advance subscriptions. Daily newspapers have their own fleet of trucks to ensure prompt delivery to all areas of distribution. Controlled-circulation publications only have to be staffed (or contract out) to deliver their publications on a less than daily basis, and within a limited geographical area.

66. Daily newspapers in large cities must have their own presses, as they must work to tight daily deadlines. These presses must be fully-staffed for five, six or seven publications per week per newspaper. Community newspapers, working to looser deadlines, can generally contract out their printing to outsiders, although some do own their own presses, which are also used for other commercial printing, or for other community newspapers.

67. Composition of the daily newspaper requires a large number of permanent employees working within a very tight time frame, while composition of a community newspaper can be done by fewer employees working in a looser time-frame. Similar comparisons can be made with every other department of a daily newspaper.

68. Costs for raw materials - newsprint and ink - are higher on a per unit basis, as a daily newspaper has to print more copies than it can sell in order to have adequate stocks

in all single-copy points-of-purchase. While sophisticated circulation systems can minimize returned (or remaindered) copies, this is an out-of-pocket expense that is not incurred by controlled-circulation publication who distribute an entire press run.

69. Specific categories of advertising in daily newspapers are at risk, or in many cases have already been lost, to new specialty publications. These cases can generally be categorized as advertisers that purchase a high volume of advertising, who have a strong necessity to advertise, and who target a audience that is not geographically concentrated in any specific part of the market in which the daily newspaper circulates. Types of advertising in which this trend has occurred in Canada are: a) automotive resale classified; b) arts, entertainment and leisure display and classified; c) help wanted classified; and d) real estate classified. Examples of each type are: a) Auto Trader (in various editions) throughout Southern Ontario; b) Georgia Straight in Vancouver, Now in Toronto, and Mirror and Voir in Montreal; c) Employment News in Toronto; and d) The Real Estate News in Toronto, Calgary Real Estate News, Real Estate News & Buyer's Guide in Hamilton; The Ottawa-Carleton Real Estate Guide; The Real Estate Weekly in Edmonton; Winnipeg Real Estate News; and Habitabec in Montreal.

70. With the exception of the fourth category - real estate - there is a similarity between these cases in that each is a market segment with a large number of small advertisers to whom the absolute cost of an advertisement determines both the size and the frequency of advertising. Real estate is a somewhat different case in that the large number of advertisers (agents) are grouped into a smaller number of companies, and that specific geographical areas of the market can be of interest to individual advertisers.

71. However, in all four cases, once a specialized publication has established an audience that responds to the advertising in the publication, the daily newspaper in the same market is hard-pressed to compete with the publication, as the advertising rates offered - based on an absolute cost per advertisement - can never be met by the daily newspaper within its existing pricing structure. Because the publications are targetted to specific interest groups - in majority, those who are actively in the market for the goods or services advertised - these publications can generate good response on the basis of far fewer copies in distribution within the same geographic area served by the daily newspaper resulting in lower costs of advertising. While these are controlled-circulation publications, they are generally distributed in stores, malls, bars, restaurants, and street boxes, rather than on a door-to-door basis, thus reducing the wastage of unread copies. Some of these publications are moving away from controlled circulation to paid circulation. Auto Trader now has a copy price of \$1.25. And so the wheel comes full-circle, with a new paid-circulation publication competing for advertising dollars with the paid-circulation daily newspapers that created its market.

72. In each case, high advertising rates in the daily newspapers that have resulted in what the advertisers perceive to be a high absolute cost per advertisement have created situations where new publications can be set up to compete with the daily newspaper for advertising revenues targetted across its entire geographical market.

73. The 1990 revenue base for the approximately 1,200 community newspapers in Canada is estimated at \$690,823,000, of which \$69,000,000 was national advertising, and \$621,823,000

was retail advertising. Classified advertising revenue is not estimated separately in the MHRB figures. The revenue base for an individual community newspaper is directly related to the advertising budgets available in its geographical area of distribution (as mentioned above), and whether there are any other community newspapers operating in that geographical area.

74. Across Canada, approximately 10% of the advertising revenue of community newspapers is derived from national advertising. The primary national advertisers in community newspapers are federal and provincial governments and their agencies; marketing boards; financial institutions; and automotive manufacturers. The other 90% of community newspapers' advertising revenue (and for most community newspapers, 90% of operating revenue, since they are delivered free) comes from retail advertisers active in the geographical area served by the publication. This can include national retailers or major retailers when they have a location (or locations) in or near the community newspapers' market area. By advertising in the publication, they can "heavy up" their daily newspaper advertising campaign to create additional presence in the market in the same way that national advertisers would use rural community newspapers as just described. However, the bulk of the local or retail advertising is placed by those advertisers who use community newspapers because they provide the most inexpensive and cost-effective manner of reaching their primary audience in their limited trading area markets.

75. Community newspapers have also proven to be a cost-effective method of delivering inserted pre-printed flyers within a specific geographical area. Since the community newspaper is already being delivered to every residential door in the area, 100% household penetration is relatively easy to

achieve. 100% household penetration is viewed as desirable by some categories of flyer advertisers, especially supermarkets. Since the cost structure for this delivery is the same for a community newspaper as for an independent flyer distributor, community newspapers can offer competitive rates for insert delivery provided that the advertiser wants distribution with the entire circulation. With the introduction of AdMail, however, this advantage is decreasing.

76. Community newspapers compete with other media--traditional and non-traditional--that can target their geographical area of distribution. Except in rural areas, this rarely includes broadcast television, but increasingly it can include cable television channels that target geographically to the cable companies' zones of operation. In the case of the larger metropolitan community newspapers, there are sometimes radio stations targetted to a suburban audience that broadly matches that of a community newspaper. Out-of-home media, such as outdoor and transit, with their ability to locate their signage very specifically, are directly competitive. Flyers, handbills, and above all, direct mail and AdMail compete with community newspapers, and can provide both lower absolute cost and even more specific geographical targetting than community newspapers. The advantage that Canada Post has of having access to high-rise apartment building mailboxes is an especial problem for community newspapers in densely-built urban and suburban areas such as the Vancouver urban areas at issue in this case.

77. The advertising price structure of community newspapers is superficially similar to that of daily newspapers, in that the same four categories of advertising - national ROP; local or retail ROP; classified ROP; and inserts

- are used. The advertisers who use community newspapers tend to base their decisions on the absolute cost of an advertisement in the community newspaper as compared to any other alternative at hand, rather than measuring the cost efficiencies on a CPM basis. This means that community newspapers are highly dependent on the successful response to advertisements placed by their advertisers, as many advertising decisions are made on the basis of how much money is in the till this week.

78. Advertisers use daily newspapers for reasons which are particular to daily newspapers, supporting the claim that they are, at most, imperfect substitutes for community newspapers. These reasons are: a) a single advertisement in a daily can reach more people in a market in a single day than a single advertisement in any other medium; b) fragmentation of the audience among many media vehicles (as is the case with radio, television, or magazines) is not a problem when there are only one or two daily newspapers in a market; c) the fact that people pay to receive their newspaper implies a conscious desire on their part to read or look into its content; d) the fact that newspapers are a daily medium with a news and information content creates immediacy for an advertisement; e) daily newspapers are a mass medium that is targetted to a better- educated audience than any other of the mass media; f) since people believe the newspaper they read, there is a believability that carries over to the advertisements in the daily newspaper; g) frequency can be built quickly by taking advantage of the fact of daily publication; h) the lead times for reservation of space, delivery of material, and last-minute revisions are all very short; and i) the effectiveness of daily newspaper advertising is easy to judge by the sales or store traffic results in the period immediately following the appearance of an advertisement.

79. Advertisers use community newspapers for reasons that are specific to community newspapers, supporting the claim that they are, at most, imperfect substitutes for daily newspapers. These reasons are as follows: a) they are geographically targetted to a specific trading area that reflects the trading areas of local or retail advertisers located in the community; b) the absolute cost of advertising in a community newspaper is low when compared to the mass media that spill into their distribution area; c) the fact that they are a local medium with a local news content creates a context that provides identification as a member of the local community to an advertiser whose advertisement appears in the publication; d) they can offer 100% household penetration within their distribution area to advertisers to whom this is a criterion; and e) because they are not a daily publication, they are viewed as "current" for more than one day.

80. Reasons for advertising in a daily or a community newspaper that they have in common (and in common with other forms of print advertising as well) are: a) the ease in making changes to a print advertisement when compared to other media such as television, outdoor or transit, and sometimes even radio; b) the size of a newspaper page (or pages) allows for the use of virtually any creative print approach to advertising; c) newspaper space costs are competitive with other media, while production costs can be lower than for any other medium; d) the ability to accommodate a wealth of detail and specifics in a single advertisement; e) because it is printed, a newspaper advertisement can be kept for future reference; f) newspapers are used by many readers as shopping guides, or catalogues of what is available in the market; and g) availablity of space is seldom a problem because of the publisher's ability to vary the number of pages up until reservation deadline.

81. The reasons why daily newspapers and community newspapers are complementary are as follows: a) community newspapers can provide additional weight to a daily newspaper advertising campaign in a specific geographical area; b) community newspapers can be used to provide a local message that ties in with a national or major retail campaign in daily newspapers; c) daily newspapers can be used to occasionally reach the secondary trading area of a local or retail advertiser who concentrates most of the year on reaching his primary trading area; and d) daily and community newspapers share the advantages that are common to advertising in print media, so that efficiencies in production of advertisements for the two media will make the combination of the two more affordable than the use of one in combination with broadcast or out-of-home media.

82. Daily newspapers and community newspapers compete with all other media for advertising dollars, with the selection of alternatives at the discretion of, and according to the needs of, the advertiser. Some media vehicles may be more effective or cost-efficient, according to the evaluations or perceptions of particular retailers, but none is indispensable.



APPENDIX "A"

**ANALYSIS OF
CANADA POST PERFORMANCE
1990-1991**

June 24, 1991

COALITION
OF 
CANADA POST COMPETITORS

ANALYSIS OF
CANADA POST PERFORMANCE
1990-1991

JUNE 24, 1991


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Coalition of
Canada Post Competitors

Analysis of
Canada Post Performance
1990-1991

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President & General Manager



June 24, 1991

To the Canadian Courier Association
Canadian Daily Newspaper Association
Canadian Community Newspapers Association
Starways Distributors

MEMORANDUM OF OPINION

After a careful review of the performance and financial reports of the Canada Post Corporation of 1988-89, 1989-90, and 1990-91, we have concluded that the post office is using revenues from its monopoly (exclusive privilege) class of mail to compete unfairly with private enterprise for added volumes of parcels, expedited courier parcels, and unaddressed admail (advertising flyers and catalogues).

We believe the post office, in order to compete with more efficient private companies, offers discount prices, particularly to high volume customers, that are set well below the actual cost of providing the service in order to "buy volume" from private-enterprise competitors.

As for the operational and financial reporting, while Canada Post and its auditors proclaim that the Corporation's accounting policies are "in accordance with generally accepted accounting principles," we found significantly unconventional accounting procedures and what appears to be a strategic divergence from consistency. In short, the Corporation manipulates its operational and financial results for political and competitive reasons, which are explained more fully in the attached report.



We strongly urge that the members of the Coalition of Canada Post Competitors bring these conclusions and each member's specific concerns to the attention of the public, the post office, and the Government of Canada.

Reid Management Ltd.
Regulatory Affairs Consultants



**ABOUT CANADA POST
AND UNFAIR COMPETITION**

"Any change in service or rates should be authorized only after public hearings, full financial disclosure and accountability.

"The methods used by Canada Post to generate more revenue should be closely watched to ensure that federal subsidization does not permit unfair competition in new activities."

The Nielsen Task Force (Federal Task Force on Program Review), 1985.

"It is evident that a corporation granted a monopoly should not abuse that privilege through, for example, subsidizing any of the services that are supposed to be competing fairly on the open market. One drawback of the present system for reviewing postal rate proposals is that it provides no assurances to the public that Canada Post competes fairly."

A Discussion Paper, *Third-Party Review of Canada Post Corporation's Rates and Services*, issued by Consumer and Corporate Affairs Canada, March, 1988.

"All that is further required is the existence of a public forum to allow concern to be voiced if pricing below cost is suspected."

Alan R. Marchment
Chairman
Postal Services Review Committee
February 6, 1990



HOW THE FEDERAL CABINET
SEES CANADA POST.



HOW THE COMPETITION
SEES CANADA POST.


I. INTRODUCTION

The purpose of this report is to demonstrate that Canada Post Corporation has never earned a profit, in the conventional sense of the word; uses questionable and inconsistent financial reporting methods, which produce annual reports that are of little value to the public or Parliament; competes unfairly with private enterprise through the use of below-cost pricing of competitive products; and subsidizes its losses on competitive products with revenues generated from monopoly (exclusive privilege) lettermail.

This document is not meant to be an indictment of the firms that audited Canada Post's financial statements in 1988-89, 1989-90, and 1990-91.

The inconsistencies and unconventional reporting methods discussed here are permitted and legal. Under the Canada Post Corporation Act, the federal Cabinet, as Canada Post's rate regulator, has the authority to allow extraordinary financial reporting practices that may not be used by private companies.

Our quarrel is with the fact that the rate regulator, the Governor-in-Council (Cabinet) of the Government of Canada, has a conflict of interest.



The Government of Canada owns 100 percent of Canada Post, and at the same time sets the rules for the disclosure of the post office's operating and financial results.

Consequently, both the users of postal services and Canada Post's competitors have a legitimate concern about, and a right to be suspicious of the post office's annual reports. But the public and competitors have no independent body to approach to call the reports into doubt.

This report makes the case that Canada Post cannot continue as a monopolistic corporation without routine public scrutiny of its activities by an independent regulator.

II. CANADA POST: AN UNREGULATED MONOPOLY

Canada Post deliberately conceals information from the public, particularly critical information on volumes, costs and revenues for postal products and services.

If volume, cost and revenue information was made public, users of and competitors with postal services could determine whether Canada Post's rates were reasonable, and whether the post office was competing fairly with private enterprise.

The Postal Services Review Committee, which was established in 1988, lamented repeatedly in its Recommendations to Canada Post Corporation, Nov. 1989, that though the PSRC asked several times for Canada Post to provide more detailed data, they were frustrated in their attempts to uncover important information, as can be seen by these quotes: "information...was insufficient;" "responses filed by Canada Post were insufficient;" "lack of sufficient information;" "a large gap remained;" "deficiency;" "inadequacy of the information;" "information submitted...did not add substantially to the review process;" "The Corporation did not provide specific reasons for not supplying information;" "significantly less detailed than the PSRC had requested;" "no volumes, costs or revenues were provided;" and "no information was supplied on specific product volumes, costs or revenues."

These quotes citing Canada Post's stonewalling on information that would permit a reasoned judgement on whether Canada Post abuses its monopolistic power to compete unfairly with private enterprise can be found in the first 10 pages of the PSRC's 80-page "Recommendations."

To add insult to injury, the federal Cabinet shut down the independent Postal Services Review Committee a few months after the release of its damning report on Canada Post's reporting habits, by cancelling its budget.

Today there is no public process for reviewing Canada Post's pricing policies and introductions of new services.

The information required to provide definitive answers to questions regarding the fairness and reasonableness of rates and likely massive cross-subsidization between products remains hidden from the public.

This report will show that in the public interest an independent regulator with subpoena power is urgently needed.

III. CANADA POST: UNFAIR COMPETITION

Canada Post is an unregulated monopoly that uses the enormous revenues generated by exclusive-privilege lettermail to subsidize losses on competitive products. The post office's 1990-91 annual report is littered with anomalies and pictures of unexplained market distortions. It cites, for example, a "downturn in the economy" and an "extremely competitive" market, yet Canada Post managed to report unprecedented volume growth in two of the most fiercely competitive markets in today's economy, courier services and the distribution of advertising flyers and catalogues.

Miraculously, Canada Post's courier services volume jumped 18 percent in 1990-91, and unaddressed admail (flyer distribution) leaped 17 percent. Curiously, Canada Post's competitors, the courier companies, newspapers, and advertising distribution companies, either had marginal gains in 1990, or showed no growth at all.

The Government of Canada has been cautioned several times that an unregulated post office would be tempted to use its monopoly revenues to compete unfairly with private enterprise.

In 1985, the Nielsen Task Force said, "The methods used by Canada Post to generate more revenue should be closely watched to ensure that federal subsidization does not permit unfair competition in new activities."

In 1986, the Report of the Review Committee on the Mandate and Productivity of Canada Post Corporation recommended a "neutral third-party agency" to guard against unfair competition.

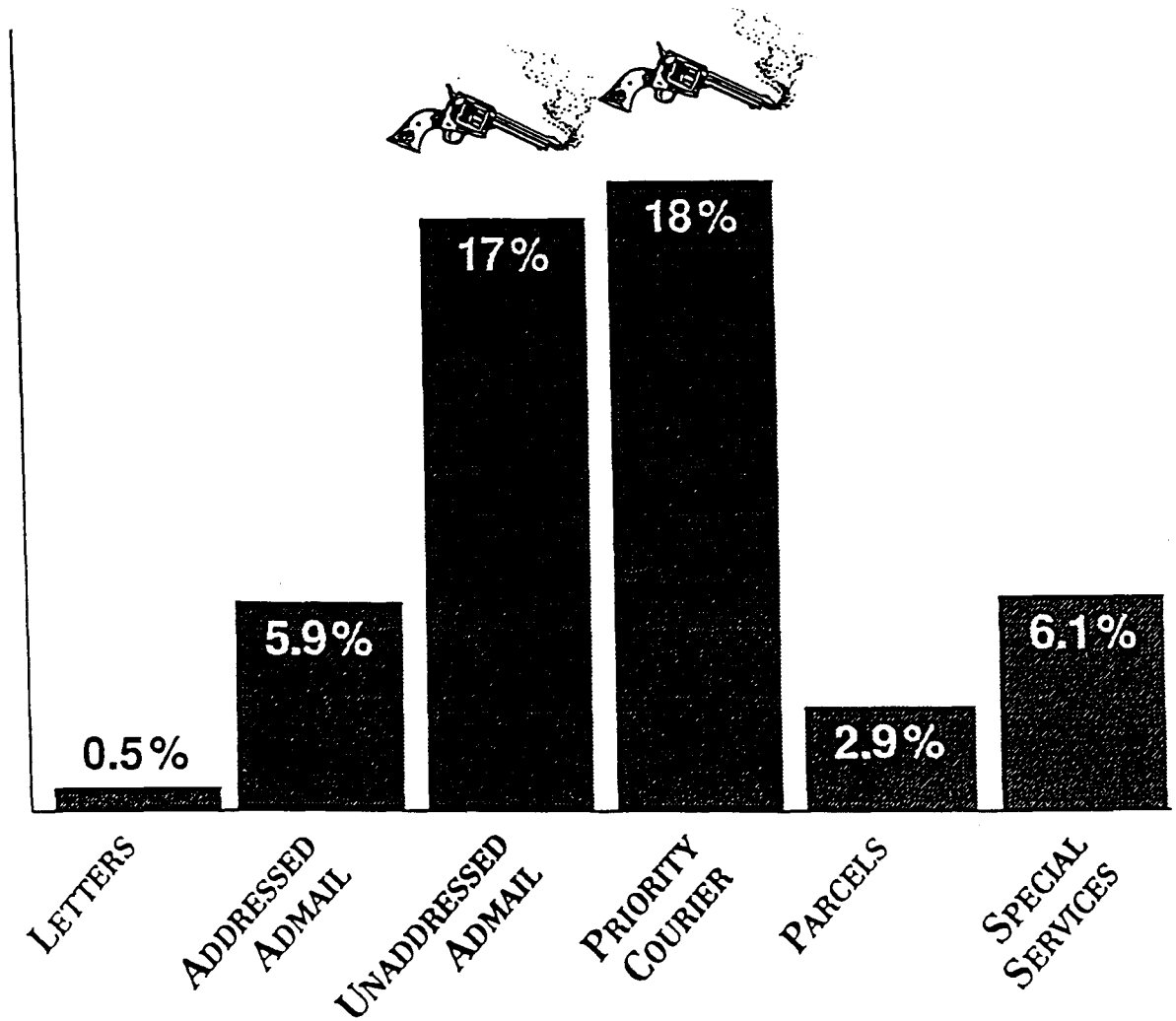
In a discussion paper issued in 1988, Consumer and Corporate Affairs Canada stated, "It is evident that a corporation granted a monopoly should not abuse that privilege through, for example, subsidizing any of the services that are supposed to be competing fairly on the open market. One drawback of the present system for reviewing postal rate proposals is that it provides no assurances to the public that Canada Post competes fairly."

In 1989, the Postal Services Review Committee observed that "Regulators require (monopolies), at a minimum, to submit revenue/cost tests on a periodic basis to demonstrate that they are not pricing competitive products in a predatory manner by cross-subsidizing them with revenues from monopoly products."

In 1990, Alan R. Marchment, chairman of the Postal Services Review Committee, advised the Parliamentary Committee on Consumer and Corporate Affairs, "All that is further required is the existence of a public forum to allow concern to be voiced if pricing below cost is suspected."

Looking at the "smoking guns" (next page) of unusual volume growth in Canada Post's courier services and unaddressed admail product categories, it is reasonable to suspect that Canada Post has targeted these competitive products and priced them well below cost to attract substantial volume away from competitors.

THE SMOKING GUNS
VOLUME GROWTH
CANADA POST PRODUCTS 1990-91



**IV. CROSS-SUBSIDIZATION AND
BELOW-COST PRICING**

To demonstrate definitively that Canada Post uses revenues from its monopoly mail to subsidize the below-cost pricing of postal services that compete with private companies, detailed or functional costing information must be available for each postal product or service. To date this information has not been available to the public.

Canada Post claims the information either does not exist or must be kept confidential for competitive reasons.

Does it exist? Canada Post had for years received \$250 million (\$203.6 million in 1990-1991) from the Government of Canada to compensate the post office for services, required by the Government to be provided "at rates less than cost," for the publications industry, franking, literature for the blind, and Northern air stage services.

It would be interesting to know how in these instances the costs were arrived at, and what assumptions were used. Canada Post could not provide similarly detailed functional costing information to the Postal Services Review Board when it was asked for it in 1989.

There is nothing unusual, by the way, for a company entering a market with a new product or service to set prices below cost to attract customers.

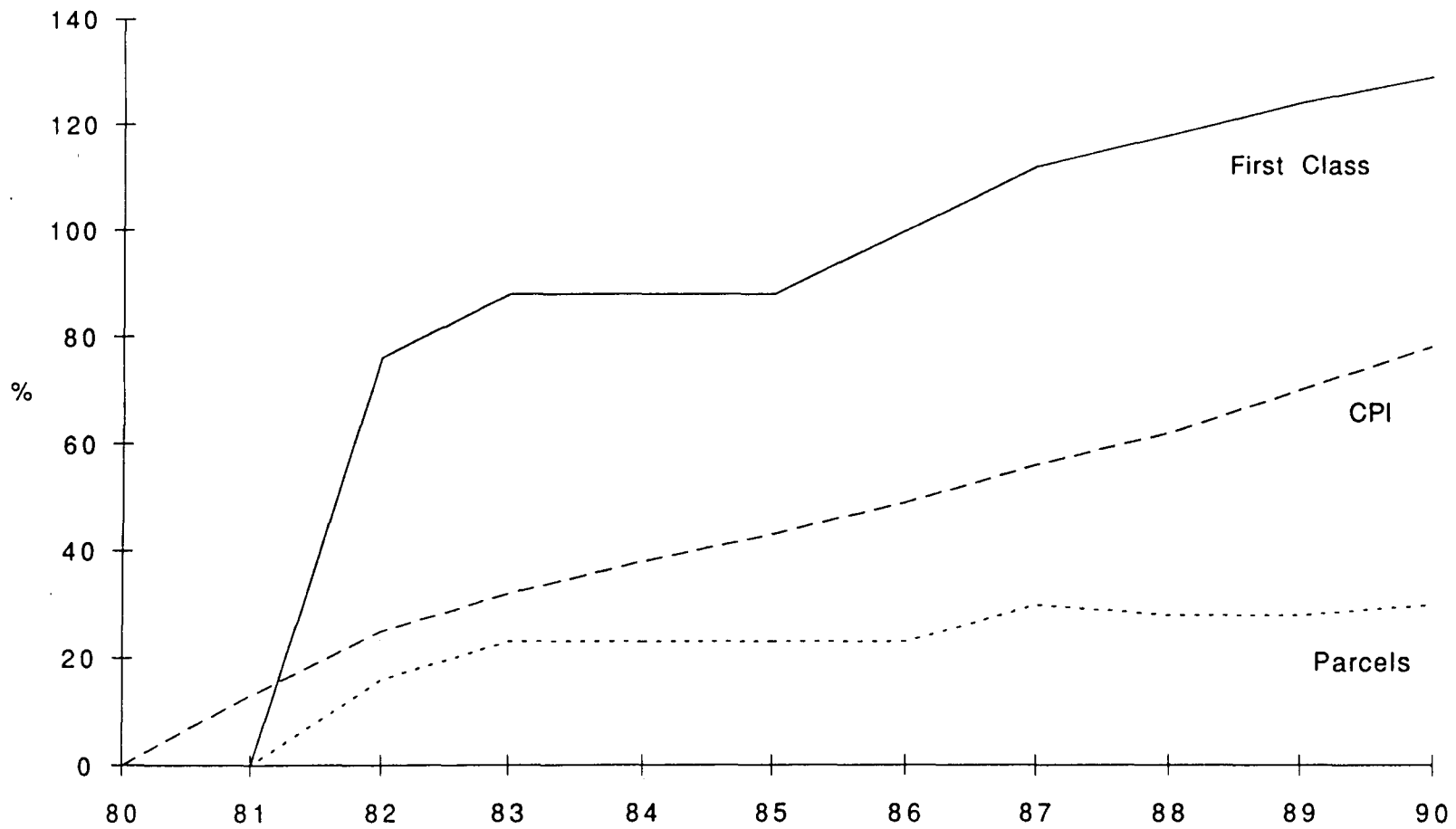
But it becomes a serious matter if the company is bent on destroying the competition, or if the company perpetually prices well below cost to maintain its market, and can sustain over an extended period of time below-cost pricing because of substantial income from other sources.

Canada Post is in the hugely advantageous competitive position of being able to set prices well below cost to move into new business areas, knowing that it has a steady stream of monopoly revenues from lettermail, and that post office costing is not sufficiently detailed to permit a successful legal action for predatory practices.

Canada Post can also rest with the knowledge that its future costs will be grossly understated due to the 1990 equity writeoff of \$588,000,000. Post office prices can now be maintained at artificially low levels, which will continue to damage the competition, but please the federal government enormously.

The graph on the next page shows how parcel prices have been deliberately depressed to compete with private enterprise while monopoly lettermail prices took a huge leap in the 1980s.

Comparison of Canada Post Parcel and First Class percent rate changes (1980-1990) to Consumer Price Index (CPI)



V. QUESTIONABLE FINANCIAL REPORTING

On examination of Canada Post annual reports from 1988-89, 1989-90, and 1990-91, it seems patently obvious that the Corporation manipulates its results to convince the Canadian public that it is profitable, efficient, and an extremely successful marketer of competitive services.

But in fact we will show through a detailed analysis of the past three post office annual reports (the ones that portray profits) that Canada Post may indeed have improved its efficiency, but the profits are dubious, and the apparent successful marketing is probably due to a discounting frenzy that results in competitive postal services being offered well below the cost of delivering the services.

a. Dubious profitability

Let's get down to basics on Canada Post's claims of profitability.

The post office is on extremely shaky ground from a couple of perspectives. For one thing, Canada Post has been understating its costs since it started reporting profits to Parliament and the public.

For another thing, Canada Post, as a Crown corporation and government post office, can avoid many of the substantial costs that its private-enterprise competitors must absorb (e.g. local business taxes, federal and provincial income tax, the full cost of customs clearance, and interest payments on contributed capital).

Before examining the understated expenses, it is essential to review conventional financial reporting practices.

"The general view of accountants...is that all elements of profit and loss should be reflected in the accumulated net income of the business." That's a quote from Accounting Principles, written by R.M. Skinner and published by the Canadian Institute of Chartered Accountants.

The CICA bible goes on to say that many readers of financial statements "are unaware that they must look beyond the income statement for pertinent information." Otherwise the readers may be misled "if substantial gains, losses or adjustments are made through the retained earnings account."

The author was correct. Many Canadians, Parliamentarians, and the media were misled by each of the three most recent annual reports from Canada Post.

But, as pointed out in the Introduction, the federal Cabinet has the power to override the CICA principles, as we shall see.

(i) Extraordinary Restructuring Costs (ERC)

For several years Canada Post has been accumulating costs related to efforts to improve efficiency so the post office can meet the service expectations of its customers and compete more effectively in those lines of business where they go head-to-head with private enterprise.

Those accumulated costs if they are considered long-term and one-time investments in the business are usually referred to as extraordinary restructuring costs.

For the purposes of financial reporting there are three ways Canada Post could have treated those costs.

They could have been written off as an expense in the year the costs were generated; they could have been deferred and amortized against future years income; or they could have been written off against the equity of the Corporation with the federal Cabinet's approval.

The post office chose in 1987-88 to amortize the costs on a straight-line basis over five years. But the accumulated balance of ERC was \$221.2 million and the amortization only \$7.8 million.

This treatment of the costs, which have never been identified for the public, did three things for the post office:

It allowed the post office to report reduced losses for 1987-88, kept political pressure on the government to a minimum because efficiency appeared to be improving at Canada Post, and caused competitors to wonder if those costs of tens of millions of dollars related specifically to the massive subsidization of competitive product pricing.

The Postal Services Review Committee asked for an explanation of the costs but were refused any details from Canada Post.

In 1988-89 Canada Post added another \$123.5 million of costs to its extraordinary restructuring costs account. There was no explanation of how these costs were generated.

There is no reason not to suspect that tens of millions of those dollars were used to undermine the competitive marketplace with prices well below cost. Prices cannot be matched by private enterprise companies who have neither the luxury of enormous revenues from monopoly businesses nor boards of directors who have the power to set financial reporting rules to suit their own objectives.

For Canada Post competitors in the unaddressed admail business, suspicions should be particularly aroused.

In 1987 and again in 1988, Canada Post showed losses of volume in the unaddressed admail business.

Coincidentally, Canada Post was developing its June 1989 business plan, in which it forecast significant volume increases, efficiencies, and income projections for the following five years.

These exemplary forecasts were the result of a political promise in the 1989 Federal Budget that Canada Post was headed toward self-sufficiency.

The 1988-89 annual report and operating results reflected that unbounded optimism and showed a herculean turnaround in unaddressed admail volume, which bounced up more than 13 percent. Year-to-year volume increases in the ensuing two years were 29 and 17.5 percent respectively.

How this occurred is explained nowhere. Competitors believe the post office succeeded primarily because of its perpetual below-cost pricing.

To prove Canada Post was abusing its monopoly privilege and underwriting its losses to produce these substantial volume increases, an investigator would require volume, revenue and cost information that Canada's largest unregulated monopoly has to date refused to release.

In the meantime the ERC account continued in 1989 to grow by massive amounts. At year end it was at \$286.9 million despite writing off \$57.8 million against that year's income. Canada Post did manage to show a net income, but it may have been grossly overstated because of the heavy deferment of costs identified by Canada Post as non-recurring.

When the Postal Services Review Committee asked Canada Post for precedents to demonstrate that what the post office was doing could be considered appropriate, the post office pointed to a puny \$2.7 million retirement plan expense at Saskatchewan Telecommunications, a \$1 billion-dollar company. In our view this was an incredible citation.

Now we come to 1990. It was in this year, following the government's shutdown of the Postal Services Review Committee, that Canada Post got the last laugh on the persistent PSRC investigators, and on the post office competitors.

With the snoopy PSRC out of the way and no regulator for the competitors to turn to, Canada Post made a significant change to its accounting policy.

Its current period restructuring costs of \$126.1 million were written off against income. Had restructuring costs been treated that way in previous years Canada Post would never have shown a profit.

We remind the reader that nothing illegal can be alleged, because any evidence of predatory pricing would rely on detailed cost information that has never been shared with the public, and in present circumstances cannot be demanded from the post office.

An independent regulator could be given the power to subpoena the information, as was recommended by the chairman of the Postal Services Review Committee to a parliamentary committee, but to date the federal government has decided to let Canada Post continue to compete with private enterprise unfettered and unexamined.

In 1990 Canada Post took further financial reporting liberties. The post office decided that it would no longer amortize its \$286.9 million accumulated extraordinary restructuring costs. It would simply write them off against the retained earnings account.

In the end, after Canada Post ended its bizarre three-years of magic accounting, the taxpayers' equity in Canada Post had been substantially reduced; Canada Post had understated its annual costs for several years, and thereby overstated its net income; and a pool of more than \$286.9 million may have acted as a hidden slush fund for the marketing managers of postal products that compete with more efficient private-enterprise companies.

But what prompted the sudden desire to write off its extraordinary restructuring costs? Let's go back to 1989, when the federal government had grand plans to privatize Canada Post. S.G. Warburg Securities and RBC Dominion Securities were asked their opinion of privatization potential for the Corporation and subsequently told the post office in a written report that the continued amortization of the extraordinary restructuring costs might prevent Canada Post from delivering its promised 6-10 percent operating profit margins.

Warburg and Dominion Securities were also a little squeamish about how those hundreds of millions of dollars shown as extraordinary restructuring costs were actually being used; and rightfully so.

Canada Post admitted to the Postal Services Review Committee that it added "a broad range of activities" to its accumulated extraordinary restructuring costs account that commercial enterprises would normally charge against income in the same year.

Next question: Why did the federal government permit Canada Post to write off the \$286.9 million accumulated extraordinary restructuring costs?

Two reasons:

1. If Canada Post had been obliged to amortize those massive costs, they would reduce the amounts of net income that could be announced year after year; and more importantly Canada Post may not achieve its ambitious five-year plan of net income totalling \$802 million by 1993-94.
2. Warburg and Dominion Securities wrote in their report that "to most outside observers, there is a question as to whether these costs are indeed extraordinary...or whether in fact they should be expensed in the current period as normal costs of doing business."

Include Canada Post's beleaguered competitors among Warburg and Dominion Securities' "outside observers."



It is clear that Canada Post decided that its problem of living up to the expectations of the public and government could be solved by fiddling with the books through clever financial reporting, and in particular through the unprecedented writeoff of \$286.9 million in accumulated extraordinary restructuring costs against the taxpayers' equity in Canada Post.

While the federal Cabinet permitted the write-off, it would not be allowable in the real world.

The Institute of Chartered Accountants of Ontario could not supply a situation that would justify a similar write-off; the Financial Accounting Standards Board never contemplated such a write-off in the citation used incorrectly by Canada Post (FASB, Statement of Financial Accounting Standards No.71, 1982); the Securities and Exchange Commission Staff Accounting Bulletin No. 67 says generally-accepted accounting practices require all costs, extraordinary or not, to be charged at some point to the income statement.

In any event, with those massive costs gone, the post office might now be able to make its net income and operating profit-margin projections; "outside observers" will have nothing to disturb them in the financial statements; and competitors will have no financial numbers to point to as the source of tens of millions of dollars used to subsidize the predatory incursion by Canada Post into fiercely competitive markets such as courier services and unaddressed admail.

The only problem for Canada Post is that enough evidence of their questionable financial reporting and below-cost pricing exists to raise questions about what is really going on behind closed doors and tightly-drawn drapes.

The only morally-acceptable conclusion the government can arrive at is that an independent regulator is needed, and that all significant Canada Post proposals should undergo analysis in a public hearing process before they are approved by the government.

(ii) Employee Termination Benefits (ETB)

Let us draw your attention to another financial fiddle. This one with employee termination benefits (ETB).

At March 31, 1988, Canada Post's year-end, the accumulated ETB balance to be amortized was \$301.8 million, and the income statement was charged with \$22.2 million.

In the following year, 1988-89, the ETB deferrals continued, and the annual report disclosed that the deferred ETB costs were to be amortized over the 15-year average remaining service-life of the employees.

Whether the 15-year period is reasonable is difficult to determine without some disclosure of actuarial methods. Anything less than 15 years would obviously increase annual costs and reduce net income, which would further jeopardize the post office's financial commitment to the federal government. Can't have that. It would be politically embarrassing.

Solution? In the next year, 1989-90, wrote off the total unamortized balance of the ETB, \$301.8 million (along with the ERC of 286.9 million, for a total of \$588 million) against the taxpayers' equity. And since no portion of the accrued balance was charged against income in 1989-90, Canada Post was able to overstate by a minimum of \$34 million its net income for the year.

The effect of the elimination of 15 years of ETB amortizations is that the cost base is substantially reduced for Canada Post over the next decade and a half, which permits Canada Post to set prices for competitive products that do not reflect the full cost of offering those competitive postal services. In short, Canada Post will continue to compete unfairly with private enterprise, with one more significant advantage.

(iii) Deferred Development Costs

In the 1988-89 annual report there appeared an item called Deferred Development Costs (DDC), but they were aggregated with the extraordinary restructuring costs.

The PSRC estimated the DDC at \$20 million.

But so vague is Canada Post on the issue of the DDC, it is reasonable to conclude that in fact the DDC may not satisfy criteria for deferral, and on this basis alone the net income of \$96 million reported for 1988-89 should have been reduced to \$76 million. But that reduced net income amount would again have jeopardized the corporation's business plan.

In 1989-90, with the Postal Services Review Committee safely out of the way, a \$44 million DDC was suddenly broken away from the extraordinary restructuring costs, and listed as "other assets."

And again insufficient detail was provided to determine the eligibility of the \$44 million for deferral. We do know the money was ear-marked for the development of new mail products (Priority Courier?) and the retail postal network.

Competitors would like to know more specifics, so they can be assured the funds were not substantially used to subsidize the post office's competitive postal products.

The only way to remove all doubt is to ask Canada Post to submit to direct questioning and cross-examination in a public forum regarding their specific financial reporting practices.

In any event, by hiving those costs off to the "other assets" column, the year's net income could be overstated by another \$44 million and keep the Corporation on its plan.

In 1990-91, DDC has grown to \$46 million, and again insufficient detail is provided to allow for a judgement on the eligibility for deferment.

(iv) The Result of the accounting magic

Because of the deft handling of their financial reporting, the post office has been able to convince Parliament, the taxpayers, and the federal Cabinet that Canada Post is both operating on a self-sustaining basis as promised in the federal government's 1989 Budget Statement.

The post office has also eliminated an enormous cost burden of \$588 million, which would have hung over their heads for years to come, and in effect reduced the Corporation's net income in every year it remained on the books.

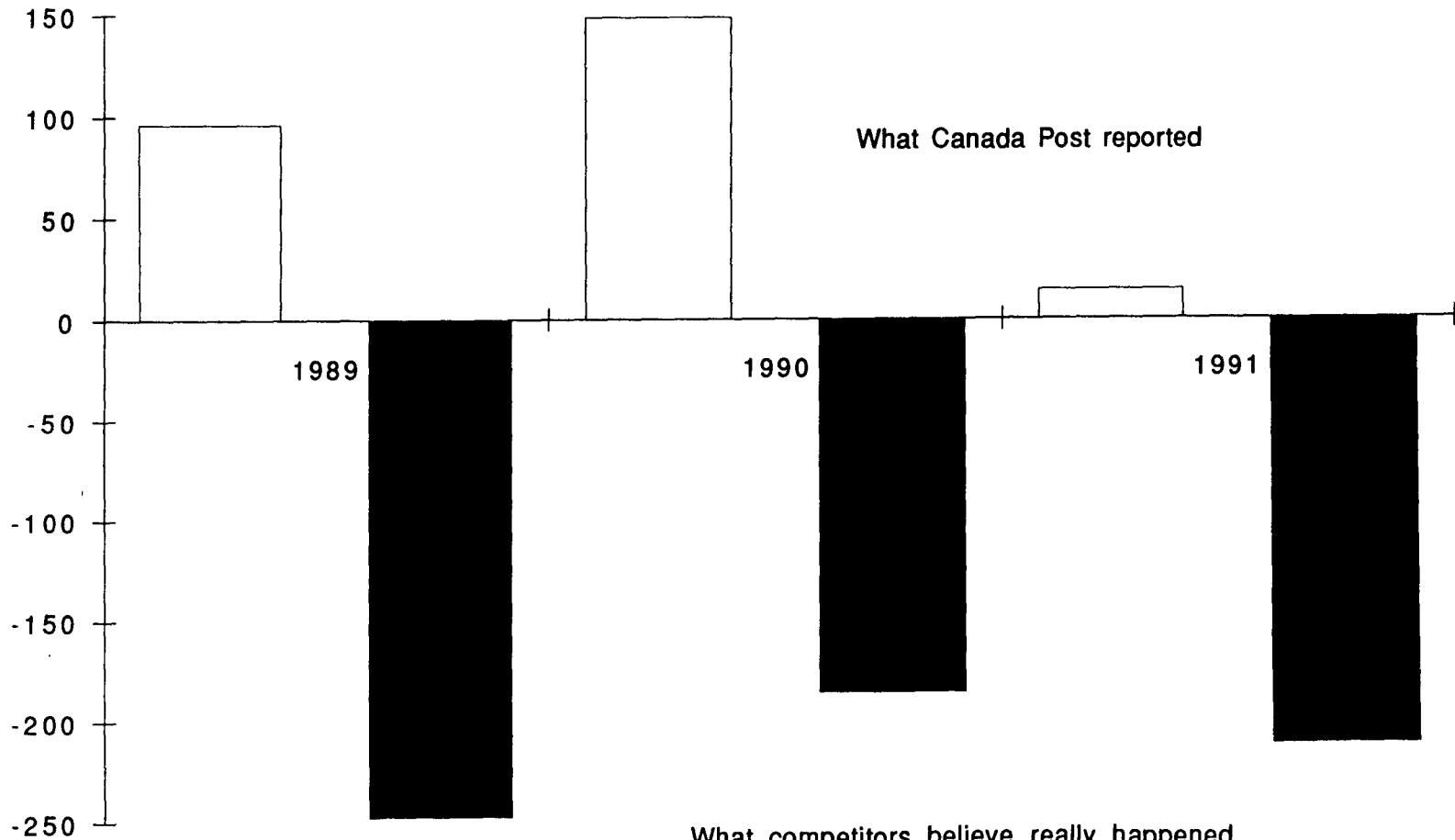
As for the matter of possible privatization, with the same stroke of the pen that wiped out the accrued costs of \$588 million, Canada Post management removed any cause for embarrassing questions by investors. Investors might well have asked, as Warburg and Dominion Securities suggested, whether in fact the \$588 million hid a slush fund to be used as subsidies for competitive services to allow Canada Post to compete with its more efficient private competitors. That being the case, private investors would not be in the slightest interested in any part of the post office, because in their minds, all past "profits" would be of a distinctly dubious nature, and any future opportunities for profits would be impossible.



The graph and schedules showing cost adjustments and assumptions on the next three pages show what Canada Post reported and what competitors believe really happened.

CANADA POST PROFITS: FACT OR FICTION

\$ Millions



What Canada Post reported

1989

1990

1991

What competitors believe really happened
(including assumed amounts normally absorbed by competitors)




CANADA POST PROFITS: FACT OR FICTION**\$ millions**

	1989	1990	1991
Reported Net Income from operations *	96.1	148.8	14.3
Cost Adjustments To Canada Post's Reported Net Income			
Accumulated Extra- Ordinary Restructuring Costs	(176.2)	(110.7)	-
Amortization of Deferred Employee Termination Benefits	-	(35.0)	(35.0)
Amortization of Deferred Development Costs	-	(22.0)	(24.0)
Interest Expense	(144.0)	(144.0)	(144.0)
Customs clearance	(20.0)	(20.0)	(20.0)
Local Business Taxes	<u>(4.0)</u>	<u>(4.0)</u>	<u>(4.0)</u>
Total Adjustments	<u>(344.2)</u>	<u>(335.7)</u>	<u>(227.0)</u>
Net Loss	<u>(248.1)</u> =====	<u>(186.9)</u> =====	<u>(212.7)</u> =====

* Canada Post Annual Reports

CANADA POST PROFITS: FACT OR FICTION

**Assumptions Related To
Cost Adjustments to Canada
Post's Reported Net Income**

\$ millions

**Cost Adjustments
To Canada Post's
Reported Net Income**

- | | |
|---|--|
| 1. Accumulated Extra-ordinary Restructuring Costs | Additions in 1989 of \$123.5 & amortizations of 50 percent of ending balance including \$57 million amortization.

Balance written off in 1990 |
| 2. Deferred Employee Termination Benefits | Continue with Canada Post's 15 year amortization period |
| 3. Deferred Development Costs | Amortize over two year period |
| 4. Interest Expense on Government Contributed Capital | Same terms as existing long-term debt |
| 5. Customs clearance | Addition of 500 staff @ \$40,000 per annum |
| 6. Local Business Taxes | Estimated at 0.1% of revenue from postal operations |

(b) Post office pricing policies

In the United States the U.S. Postal Service, which competes in many business sectors with private enterprise, is obliged to report volumes, revenues, and costs on each product line to be able to assure the Postal Rates Commission that the post office is not subsidizing competitive products with revenues generated by monopoly lettermail.

Competitors can also be reasonably assured that the post office is not setting predatory rates, and postal users can be satisfied that the price they are asked to pay for postal services are fair and reasonable.

In Canada, the post office has no obligation to report volumes, revenues, and costs by product, has no independent regulatory body to question management about proposed rate increases or changes to service, and as a result neither competitors nor post office customers can be sure rates are fair and reasonable.

In the U.S., postal rates must reflect all the functional costs of providing the service, just as a business would if it were a private enterprise company.

In Canada, there is no such requirement. Canada Post uses a "contribution pricing" system to set its rates. In other words, monopoly lettermail can be asked to absorb all of the post office's fixed costs, while competitive products may be asked to cover only variable costs. This is an enormous advantage over private enterprise competitors, whose product prices must cover all costs.

If for any reason the competitive postal services were separated from monopoly mail revenues, it might require hundreds of millions of dollars and many years before the competitive products would be profitable.

The U.S. experience shows that functional costing is a discipline that requires several years of experience before the associated financial disciplines begin to have a salutary effect.

Canada Post, with its commitment to five-year government plans has chosen a more effective route: avoid regulatory intervention, show evidence of self-sufficiency by manipulating the financial results, and show evidence of efficiency by setting prices well below actual cost to attract postal product volume to the post office and away from more efficient private competitors.

VI. CONCLUSIONS AND RECOMMENDATIONS

a. Conclusions

After considering the facts in this report, it is reasonable to conclude that Canada Post has, through information omissions and inconsistencies, been deliberately and methodically misleading Parliament, the public, and competitors with its annual financial and operational reports, and other public statements.

Costs have been grossly understated, net income has been greatly overstated, and denials of massive cross-subsidization of competitive products by the enormous revenues from monopoly lettermail have been less than candid.

The reported extraordinary restructuring costs of \$286.9 million were likely to be viewed with scepticism said two prominent securities firms retained by Canada Post.

The Postal Services Review Committee also identified those costs as significant for further explanation, which has never been supplied by Canada Post.

It is fair to conclude that a substantial proportion of those costs were not eligible for deferment and should have been explained in the year they were generated as costs.

Even more damning is the fact that in fiscal year 1989-90, those hundreds of millions and an additional \$301.8 million were written off against the retained earnings of the Corporation, thereby reducing substantially the costs that would normally be expensed against income in future years; the effect being that Canada Post can continue to set prices well below those of its competitors; and can continue to overstate its net income.

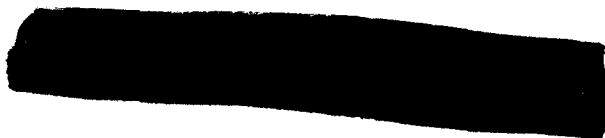
b. Recommendations

- (i) The federal government must immediately establish or identify an independent regulator for the post office; one that will require Canada Post to go through a public hearing process where management can be examined and cross-examined about their rate and service proposals, their financial and operational reporting, and their rationale for entering lines of business that compete with well-established and efficient private-enterprise companies.

- (ii) Canada Post has substantially revised its business plan from 1989 to 1991. The net income projected from 1989 to 1994 has been reduced by more than half (from \$1354 million down to \$431 million).

These changes and the \$588 million write off against the taxpayers' equity throw serious doubt on the government's hope for a self-sufficient post office.

Now is the time for Canada Post to retire graciously from those competitive lines of service that require massive subsidization from the monopoly revenues of lettermail, and refocus its energies and resources on providing door-to-door mail delivery to those Canadians who have been denied it, and on re-opening small community post offices in the public interest.



CANADA POST CORPORATION

FACT SHEET

1990-1991

Revenues:	\$3.7 billion
Pieces of mail:	9.7 billion
Reported Net Income:	\$14 million
Employees:	57,000
Vehicles:	5,300
Rate regulator:	The Cabinet, Government of Canada
Corporation Owner:	Government of Canada
Independent regulator*:	None

* An independent regulator was recommended by the Nielsen Task Force (1985); by the Marchment Report on post office productivity (1986); by the Parliamentary committee on Consumer and Corporate Affairs (1990); and by the Postal Services Review Committee (1990) to ensure reasonable rates and fair competition with private-enterprise competitors.



APPENDIX "B"

REPORT OF THE AD-MAIL TASK FORCE

REPORT OF THE AD-MAIL TASK FORCE

Acting on the direction of the board of directors of CDNPA, a task force was formed to deal with the issue of ad-mail, and, the extent to which daily newspapers are able to offer advertisers an effective and competitive level of delivery service, and, whether there are steps that could be taken to improve our capabilities in the area of insert sales and distribution.

Specific issues included:

1. What are insert advertisers needs in 1990? What are the expectations regarding household coverage, pricing, targeting, (geographic and demographic), service?
2. To what extent do major insert advertisers see daily newspapers as competitive in these areas? Are existing initiatives such as Extended Market Coverage and FSA targeting sufficient to keep us competitive? How much of an issue is apartment access?
3. How vulnerable are daily newspapers to further losses to ad-mail and other competitors?
4. What steps could daily newspapers take to strengthen their position in the insert area? Are there areas in which CDNPA or other industry organizations could play a role?

Task Force Members:

Dave Dorman, Circulation Director, Times-Transcript, Moncton
John Finneran, President, Newspaper Marketing Bureau, Inc.
Steve Gloster, President, CCMA
Bob Hogg, Director of Marketing, Thomson Newspapers Corp.
Ron Kipp, National/Major Retail Manager, London Free Press
Sandy Muir, General Manager, Southam Newspaper Group
Ed Schultz, Executive Vice President, Leader-Post, Regina
Wayne Smith, Director of Advertising, London Free Press (chairman)
John Foy, President, CDNPA
Bob Harris, Manger of Marketing Services, CDNPA (secretary)

The task force met on three occasions in the CDNPA boardroom, with assignments between meeting dates. Dates of meetings were March 13, April 17 and June 6, 1990.

The following is a capsule report of the task force findings. A complete copy of the task force meeting minutes are available upon request.

[REDACTED]

Meeting #1, March 13, 1990

The chairman outlined the parameters of the discussion and initiatives to be addressed with the following results:

What are insert advertisers needs in 1990?

The committee agreed that these aspects of insert advertisers needs were a top priority for development by daily newspapers - effective research (demographic, psychographics including NADbank information, independent studies by newspapers, and outside companies i.e. Compusearch).

Effective planning (including training of knowledgeable newspaper sales staff) and the simplification of the process of buying newspaper insert advertising were tabled as well.

The chairman pointed out the necessity of targeting through the use of research and the development of a pro-active "yes we will" attitude on the part of newspapers toward insert advertisers.

To what extent do major insert advertisers see daily newspapers as competitive?


The committee felt that generally, insert advertisers see daily newspapers as an option in an increasingly competitive environment. The major issues are gaining access to apartments, improving penetration of single family dwellings, have six/seven day availability for delivery, and offering targeting to areas smaller than the current breakdown by Forward Sortation Area. Daily newspapers should model their marketing strategies on those developed by direct mail.

How vulnerable are daily newspapers to further losses to ad-mail and other competitors?

The committee was in agreement that, as ad-mail credibility increased, daily newspapers are increasingly more vulnerable and should address this competitor very seriously, especially in view of the fact that former circulation managers are running Canada Post's ad-mail operation.

After much discussion and analysis the committee decided on the following initiatives:

- a) To develop an understanding of the size (potential) of the insert business a survey would be sent to CDNPA member newspapers asking them to provide that information.
- b) A need exists to identify the competition - the strengths and weaknesses of ad-mail plus other major players besides newspapers. (See attached i)

- 
- c) The need to take strategic steps to improve our position and identify the role of newspaper groups (CDNPA, NMB, CCMA, NAEA)

Assignments

Committee members were asked to obtain specific information in these areas: (1) a short history of pre-prints in the newspaper industry from start to now (Ed Schultz), (2) what are newspapers doing to improve apartment access (Steve Gloster), (3) verification of the hypothesis that apartment dwellers do not read daily newspapers as frequently as single family householders (John Finneran).

Task force consensus on ad-mail

It was the opinion of the committee that Canada Post's ad-mail operation did not have an unfair advantage over their competition and that nothing they do represents a clear-cut disadvantage to newspapers. The main aspects are pricing (in many cases newspapers offer lower prices), distribution (charge is built into total package and at most represents a bargaining chip - no subsidies are in evidence) and access (the only grey area, where the ability to deliver directly to postal boxes in apartment blocks is not available to newspapers).

[REDACTED]

Meeting #2, April 17, 1990

Following review the minutes of the March 13 meeting were approved. This was immediately followed by reports on assignments from this meeting. They are as follows:

1. Result of insert revenue survey

Thirty-two newspapers responded to the insert revenue survey. Using those figures the task force estimated that insert revenue for CDNPA member newspapers to be 95 million dollars annually.

Review of size and potential of insert business

It was pointed out that 95 million dollars is a substantial amount of money, but represented only a percentage of the potential business.

After much discussion the task force estimated this amount (\$95,000,000) to represent about 60% of the total insert potential business of \$175,000,000 plus.

The services of the CDNPA research department were asked to trend insert growth for five years by newspaper circulation group for the June 6 meeting.

The task force agreed on the following "givens" vis a vis the current situation with inserts.

- i) the number of inserts distributed by CDNPA members newspapers is increasing
- ii) the revenue generated by inserts is decreasing
- iii) the quantities delivered per flyer are decreasing
- iv) rates for insert distribution are falling

The task force agreed that the capital expenses (equipment) necessary for flyer distribution had already been put in place at most newspapers.

The point was also raised that the affect on the bottom line profitability of newspapers could be severe if insert revenue was allowed to be further eroded by the competition.

The reader value of inserts was also agreed upon. Inserts are an important source of advertising news and therefore a benefit to circulation.

2. History of pre-prints in the newspaper industry

The marriage of newspapers and pre-printed inserts has not matured without some growing pains.

[REDACTED]

In the late 1960's, newspapers reluctantly began to accept the delivery of flyers at the same rate that was charged for regular ROP advertising.

During the 1970's, newspapers still thought they could influence the volume of flyer business by imposing "premium rates" as a means of forcing customers back into newspaper ROP advertising.

Increased competition in the 1980's forced newspapers to re-examine their position on pre-printed inserts. Pricing became more competitive as newspapers moved to improve services to subscribers, at the same time making it more difficult for potential print competitors to position themselves in the marketplace.

Today, the profitable portion of our pre-print business is under severe pressure from ad-mail and other delivery services.

Newspapers wishing to maintain their present position in the flyer distribution business must adopt a pro-active battle plan.

Customer services must be modernized and we must make newspapers easier to buy. Our strategy must be to identify the needs of our readers and advertisers . . . and then we must meet those needs.

3. What newspapers are doing to improve apartment access

To address the question of "what newspapers are doing to improve apartment access", newspapers in Canada and the United States were approached to come up with the following:

- * Although locked cubicals have been built in the past - similar to post office boxes - they proved unworkable and are no longer in use.
- * The Houston Chronicle has used a News Centre since 1975. This was tried in Canada at the now defunct Ottawa Journal but proved unworkable with lost keys and theft being the major problems.
- * Mail slots exist in some apartment units but are quickly becoming a thing of the past due to new fire regulations making them illegal.

So there really isn't a tried and proven method to reach all apartment dwellers on a 24 hour basis.

At the moment newspaper are spending much more time working with the superintendents to gain access. In some cases superintendents will actually deliver all newspapers and flyers being placed in their buildings - at a good profit. This overcomes the necessity of obtaining a key or access to the building.

[REDACTED]

Afternoon delivery of newspapers is usually not much of an access problem since carriers can ring the superintendents or an existing subscriber to gain access. There are still buildings that do not allow any access - usually Condo's - but these high income buildings usually have security guards at the entrance who will accept the newspaper for the apartment dweller and deliver it.

Morning newspapers on the other hand have a much more difficult time gaining access. They often resort to making arrangements for a key from the superintendent where possible - usually by promising that only one carrier would service the building and that the carrier would be introduced to the superintendent beforehand and not change without notice. If at all possible most newspapers attempt to locate a carrier who lives in the building. If this is not possible, usually an older youth carrier or adult carrier is acceptable to most superintendents.

Often many buildings are owned by a few companies. If approached in the proper manner newspapers can often get permission to access many buildings at one time. Large developers and superintendents of buildings are usually given complimentary subscriptions in return for this service. This usually results in a good relationship with all concerned and often lists of tenants coming and going into the units are made available by the building manger to assist in providing the best of service.


Keys are also solicited from newspaper employees who live in buildings as well as from subscribers moving into new buildings. Some newspapers will even pay a deposit for keys if necessary. Staff are also encouraged to obtain keys for buildings that the newspaper does not have access to by providing incentives on a regular basis for every new key obtained. Keys can also be exchanged or solicited with other newspapers in the same market.

To overcome the problem of servicing apartments - many newspapers are now resorting to placing vending boxes in the lobby. This can be a problem however, if you are competing with a store in the building.

To ensure that apartment superintendents continue to allow access, some newspapers have resorted to placing the paper in a plastic bag and hanging it on the door knob or where possible, placing the paper udner the door or hanging the paper from the door knob with a rubber band. This keeps the superintendent happy and avoids cluttering the hallways.

4. Apartment dwellers vs. single family householders - frequency of readership

NADbank information verifies the assertion that apartment dwellers do not read daily newspapers as frequently as single family householders. (See attached ii)



Much discussion followed this report on the topic of single copy sales with apartment dwellers. The task force agreed that the fifteen major markets in the country are most affected by single copy sales. The importance of single copy sales to the apartment dweller is not to be underestimated. It was pointed out that the advertiser perception of single copy sales was not good. Insert advertisers feel that the single copy market is wasted - single copies do not go home, they stay at the office or hotel, the 10% return factor is considered wasteful.

The task force members where then asked to obtain specific information in these areas:

1. Take a sampling of cities (Victoria, Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Hamilton, London, Ottawa, Montreal, Quebec, Halifax) and look at the number of apartment dwellers and the percentage of apartment dwellers per city (John Finneran).
2. Survey various markets to determine newspapers TMC penetration (Steve Gloster, Dave Dorman, Bob Harris).

Meeting #3, June 6, 1990

Following review the minutes of the April 17 meeting were approved. This was immediately followed by reports on assignments from this meeting. They are as follows:

Charles Dunbar, CDNPA Research Manager, reviewed the trends of insert growth from 1985 to 1989 by circulation size, insert lines and number of inserts.

INSERT LINES

	1985	1986	1987	1988	1989
TOTAL	+11.1%	+15.5%	+ 3.8%	+ 2.7%	- 2.3%
150M+	+ 2.6%	+20.9%	+ 4.9%	- 3.9%	- 8.1%
100M - 150M	+16.9%	+16.4%	+ 6.7%	- 7.1%	+ 4.6%
50M - 100M	+23.9%	+11.1%	+11.3%	+ 8.4%	- 0.3%
25M - 50M	+12.2%	+13.0%	+ 3.7%	+11.6%	+ 3.3%
10M - 25M	+ 8.5%	+19.1%	- 0.9%	+ 2.3%	- 2.9%
Under 10M	+ 1.1%	- 4.4%	- 0.3%	-35.2%	-26.8%

NUMBER OF INSERTS

	1985	1986	1987	1988	1989
TOTAL	+14.3%	+ 7.3%	+10.3%	+ 6.0%	+ 1.0%
150M+	+ 7.6%	+ 6.7%	+10.2%	+ 7.1%	- 4.3%
100M - 150M	+12.5%	+ 9.0%	+12.9%	+ 1.2%	+ 6.9%
50M - 100M	+40.4%	+ 7.4%	+20.6%	+11.6%	- 6.2%
25M - 50M	+12.1%	+10.0%	+ 8.0%	+10.3%	+ 7.9%
10M - 25M	+12.0%	+ 7.7%	+ 7.4%	+ 2.5%	+ 0.8%
Under 10M	+ 6.2%	- 1.2%	+ 7.7%	- 7.6%	+ 6.3%

Charles pointed out to the committee that although the number of inserts was up the total number of insert lines was shown to be decreasing.

Regulation of flyers by municipalities

John Howard (representing Southam Flyer Force, attending at the invitation of Sandy Muir) addressed the issue of possible regulation of flyers by municipalities, noting that Southam lawyers were currently examining the situation and felt that any attempt to do this violated the Charter of Rights in at least four areas. John felt that this attempt at regulation was derived from the environmental issue and its impact on public perception of flyers. The task force agreed that the environmental issue is a definite factor in insert growth. John also pointed out that some freedom of the press issues had arisen. The legal definition of a newspaper

[REDACTED]

also includes flyers, therefore, by precluding delivery of flyers is the delivery of newspapers also precluded.

Sampling of marketing to determine overall numbers of apartment dwellers and the percentage of apartment dwellers

John Finneran reported on fourteen selected markets in Canada as sourced by NADBANK 1988. John remarked that of the 33 markets interviewed by NADbank, 29% of the interviewers stated they were apartment dwellers. Much discussion followed, with the task force concluding that if roughly one third of the people in the country live in apartments, which is not an area of daily newspaper strength, then newspapers should be sensitive to that demographic and take steps to increase penetration in apartments.


Results of survey of various markets to determine newspaper TMC penetration in apartments

Steve Gloster, Dave Dorman and Bob Harris reported that their survey discovered that TMC delivery is all over the map with no overall, consistent strategy in place. After much discussion the task force agreed that morning newspapers have more of a problem than afternoon dailies with apartment penetration. As well, the task force was in agreement that the community newspaper orientation (such as the Neighbours publications in Calgary and Edmonton) were the most successful approaches for TMC penetration.

Final thoughts on the issue of ad-mail

Task force members discussed at length the ramifications of the ad-mail issue with the following points of interest agreed upon:

- * The environment of the newspaper for flyer distribution is not as strong a selling point for advertisers as it once was. Advertisers feel that if all things are equal, it's better to be in an editorial product, but that is not the deciding factor.
- * Newspaper penetration in apartments is a vital issue to be addressed if dailies are to retain insert business.
- * Newspapers are extremely vulnerable if they don't keep abreast of market conditions and develop a strong customer-service oriented mindset.
- * The possibility of utilizing industry associations to develop a one order, one bill scenario should be pursued.
- * The possibility of developing a quasi-political solution through a lobbying function under the auspices of CDNPA should be explored to ensure the playing field remains level.

- 
- * A training system (under CDNPA) to educate managers and reps to sell distribution should be addressed.
 - * Efforts should be made to further sensitize publishers to the flyer issue and the importance of ad-mail revenue to daily newspapers.
 - * The CDNPA research committee should take initiatives to tighten up research data in order to provide newspapers with accurate information on insert trends.
 - * The task force struck to address the issue of ad-mail is a beginning, not an end, to the initiative. Recommendations made by the task force should be attended to on an ongoing basis.

Options for newspapers

The task force decided that, although solutions vary according to circulation size, the following steps should be taken by newspaper to improve their positioning. Involvement of various newspaper groups is indicated in parenthesis.

1. Develop a one order, one bill scenario either nationally or by region (CDNPA ad-mail group).
2. Newspapers should address every option in terms of targeting, use of research and timing in the sense of offering delivery seven days a week (NMB could facilitate the development of effective research tools).
3. Newspaper pricing structure should reflect volume breaks for insert advertisers with the appropriate dollar volume credit to ROP contracts (NAEA).
4. Selling skills of newspaper reps should be enhanced through the development of training programs (CDNPA) and by ensuring that inserts are commissionable for these sales reps.
5. Initiative should be put in place to resell the value of the newspaper and the value of single copy sales to insert advertisers (CCMA).

Analysis of competition for insert revenues

The players involved are: daily newspapers, Admail, weekly newspapers, other distributors (Netmar, Flyer Force)

STRENGTHSDaily Newspapers

- Six to seven day delivery
- Total market coverage products
- Total product including classified content, editorial and R.O.P.

Admail

- Access to every householder
- One order, one bill
- Seven day delivery
- Target by postal walks
- Printer to household nationwide
- P r o f e s s i o n a l , knowledgeable sales force
- Competitive rates

Weekly Newspapers

- One order, one bill
- No duplication
- Target postal walks
- Total product including classified content, editorial and R.O.P.

Other Distributors (Netmar, Flyer Force)

- Access to every householder with some apartment restrictions
- One order, one bill
- No duplication
- Classified content
- Target by postal walks
- P r o f e s s i o n a l , knowledgeable sales force, competitive rates

WEAKNESSESDaily Newspapers

- No one order/one bill hard to buy
- Inconsistent targeting
- Sales force not properly trained
- Penetration problems
- Apartment delivery
- Rate structures
- G.S.T. loss of tax exemptions

Admail

- Three day guarantee for delivery
- Credibility of post office mentality
- Inconsistent quality

Weekly Newspapers

- Not national
- One (two) day delivery
- Apartment delivery
- Sales force not properly trained.

Other Distributors (Netmar, Flyer Force)

- Two-four day delivery
- Inconsistent quality
- Apartment delivery

[REDACTED]

NATIONAL ADULTS, AGE 18+

		Totals	APARTMENT DWELLERS
Totals	UnWgt	27327	8510
	(00)	114594	33493
	Vert%	100.00	100.00
	Horz%	100.00	29.23
	Index	100	100
VICTORIA	UnWgt	902	232
	(00)	2018	428
	Vert%	1.76	1.28
	Horz%	100.00	21.21
	Index	100	73
VANCOUVER	UnWgt	1218	308
	(00)	10695	2362
	Vert%	9.33	7.05
	Horz%	100.00	22.09
	Index	100	76
EDMONTON	UnWgt	901	169
	(00)	5695	859
	Vert%	4.97	2.56
	Horz%	100.00	15.08
	Index	100	52
CALGARY	UnWgt	903	215
	(00)	4962	1019
	Vert%	4.33	3.04
	Horz%	100.00	20.55
	Index	100	70
WINNIPEG	UnWgt	902	247
	(00)	4716	1045
	Vert%	4.12	3.12
	Horz%	100.00	22.17
	Index	100	76
TORONTO	UnWgt	1815	560
	(00)	26107	6686
	Vert%	22.78	19.96
	Horz%	100.00	25.61
	Index	100	88

Source : 1988 Nadbank

May 10, 1990



NATIONAL ADULTS, AGE 18+

		Totals	APARTMENT DWELLERS
MILTON	UnWgt	907	227
	(00)	4216	930
	Vert%	3.68	2.78
	Horz%	100.00	22.06
	Index	100	75
ONDON	UnWgt	900	255
	(00)	2589	612
	Vert%	2.26	1.83
	Horz%	100.00	23.63
	Index	100	81
TAWA/HULL	UnWgt	1201	390
	(00)	6204	1856
	Vert%	5.41	5.54
	Horz%	100.00	29.91
	Index	100	102
ONTREAL	UnWgt	3074	1628
	(00)	22565	11336
	Vert%	19.69	33.85
	Horz%	100.00	50.24
	Index	100	172
QUEBEC CITY	UnWgt	937	417
	(00)	4580	1739
	Vert%	4.00	5.19
	Horz%	100.00	37.96
	Index	100	130
ONCTON	UnWgt	534	136
	(00)	757	161
	Vert%	0.66	0.48
	Horz%	100.00	21.21
	Index	100	73

Source : 1988 Nadbank

May 10, 1990

NATIONAL ADULTS, AGE 18+

		Totals	APARTMENT DWELLERS
SAINT JOHN	UnWgt	909	284
	(00)	878	249
	Vert%	0.77	0.74
	Horz%	100.00	28.40
	Index	100	97
ATLANTIC CANADA	UnWgt	1443	420
	(00)	1635	410
	Vert%	1.43	1.22
	Horz%	100.00	25.07
	Index	100	86

Source : 1988 Nadbank

May 10, 1990

NATIONAL ADULTS, AGE 18+

Room on: APARTMENT
Dwellers



	UnWgt	(00)	Horz%	Index
Totals	8510	33493	29.23	100
VICTORIA	232	428	21.21	73
VANCOUVER	308	2362	22.09	76
EDMONTON	169	859	15.08	52
CALGARY	215	1019	20.55	70
WINNIPEG	247	1045	22.17	76
TORONTO	560	6686	25.61	88
HAMILTON	227	930	22.06	75
LONDON	255	612	23.63	81
OTTAWA/HULL	390	1856	29.91	102
MONTREAL	1628	11336	50.24	172
QUEBEC CITY	417	1739	37.96	130
MONCTON	136	161	21.21	73
SAINT JOHN	284	249	28.40	97
ATLANTIC CANADA	420	410	25.07	86

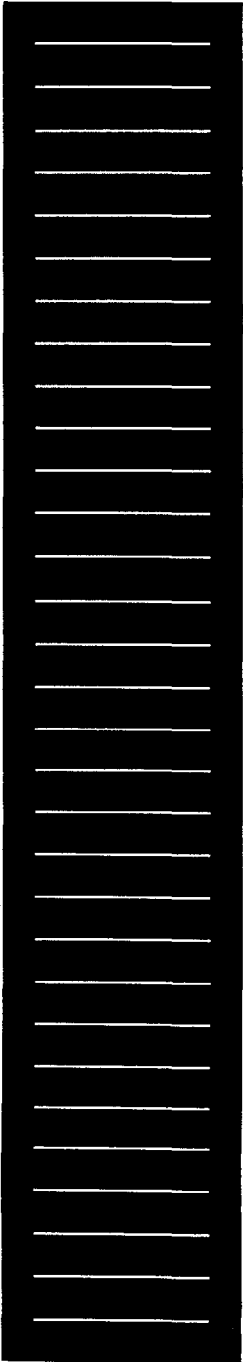
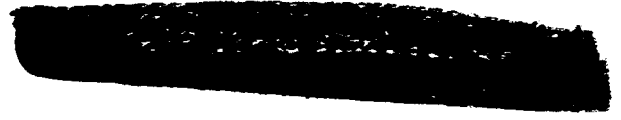
Source : 1988 Nadbank

May 10, 1990



APPENDIX "C"

**HELPING YOU TO USE
DAILY NEWSPAPERS**

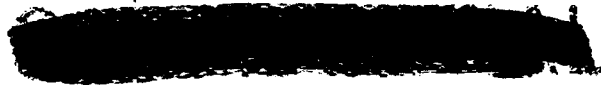


The Newspaper Marketing Bureau

***Helping You To Use
Daily Newspapers.***



Newspaper Marketing Bureau, Inc.
Le Bureau de commercialisation
des quotidiens, Inc.



Members

British Columbia

Nelson Daily News
The Daily Townsman, Cranbrook
The Prince George Citizen
The Kamloops Daily News
The Province, Vancouver
The Vancouver Sun
Times-Colonist, Victoria

Prairies

Calgary Herald
The Calgary Sun
The Edmonton Journal
The Edmonton Sun
Fort McMurray Today
The Lethbridge Herald
Medicine Hat News
Red Deer Advocate
The Leader Post, Regina
Star-Phoenix, Saskatoon
The Daily Graphic, Portage La Prairie
The Winnipeg Sun
Winnipeg Free Press

Ontario

The Beacon Herald, Stratford
The Brockville Recorder & Times
Le Droit, Ottawa
The Expositor, Brantford
The Hamilton Spectator
The Kitchener-Waterloo Record
The London Free Press

The Nugget, North Bay
The Ottawa Citizen
The Ottawa Sun
The Sault Star, Sault Ste. Marie
The Standard, St. Catharines
The Sun Times, Owen Sound
The Toronto Star
The Toronto Sun
The Whig-Standard, Kingston
The Windsor Star

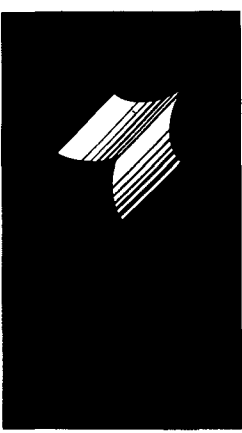
Québec

The Gazette, Montréal
Le Journal de Montréal
Le Journal de Québec
Le Nouvelliste, Trois-Rivières
La Presse, Montréal
Le Quotidien, Chicoutimi
The Record, Sherbrooke
Le Soleil, Québec
La Tribune, Sherbrooke
La Voix de l'Est, Granby

Atlantic Provinces

The Chronicle-Herald &
The Mail-Star, Halifax
The Telegraph-Journal &
The Evening Times-Globe, Saint John
The Times-Transcript, Moncton
The Daily Gleaner, Fredericton





The Newspaper Marketing Bureau is here to help you really use newspapers.

And we're out
to sell you on
really using
newspapers
too

- The Newspaper Marketing Bureau (NMB) was set up in 1979 to serve as the marketing organization for Canadian daily newspapers. More than 50 newspapers, representing over 80% of all copies sold every day, are members of the NMB.
- The NMB is a pure-form marketing organization. In the same way that DeBeers markets diamonds, but doesn't sell them in its own stores. In the same way that the Milk Marketing Board sells you on the idea of drinking milk, but you don't buy a litre in a Milk Marketing store. We market the generic product – daily newspapers as an advertising medium. Our member newspapers negotiate the rates and process the insertion orders.
- The NMB is different from all other Canadian media marketing organizations because it also has the responsibility for the main research databank on the medium – the Newspaper Audience Databank (NADbank).
- The Newspaper Marketing Bureau is not the same thing as the Canadian Daily Newspaper Publishers Association (CDNPA), which advertising agencies all know well.
- And the NMB is not the same thing as the Audit Bureau of Circulations (ABC), whose very specific job is circulation verification, the collection and dissemination of verified information on paid circulation, and where, and when, and at what price. But we do get that information from them, so that we can get it for you when you want it.
- The NMB is an organization made up of people whose experience is based in the advertising business, rather than on the publishing side, and yet who really know how to make the most effective use of newspapers. Their expertise is something that you can draw on – at no charge.
- If you're in the media department of an advertising agency, you probably already have some idea of how the NMB can help you on a day-to-day basis, especially if you've been using NADbank in planning your daily newspaper campaigns.
- But the NMB also has a wealth of information and services that can be of substantial benefit to people in other agency departments, and directly for clients – the advertisers – as well. It all comes back to our basic belief. The more you know about really using newspapers, the more you'll use them. To your own benefit. (And ours.)



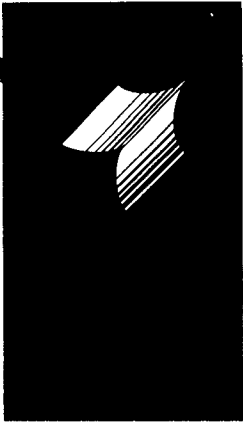


If you need to know anything to do with daily newspapers, all you need to do is call the Newspaper Marketing Bureau.

If we don't know the answer right off the top, we'll find out for you right away.

- There are all sorts of different ways of taking advantage of the fact that the NMB is the single source for information on daily newspapers.
- If you're a client, or on the client service side, and you want to find out what the market demographics are for owners of all makes of mid-size cars in the four Western provinces – call the NMB, because we have that information in NADbank, and we can get a cross-tab done for you so that, when the regional manager comes in from Calgary, you have some information he can't find in his standard industry sources.
- If you're an art director, and you need to know what the trends have been in North American print advertising for banks, and all you can find in the reference library at the agency are the copies of the advertisements that won last year's Marketing awards – call the NMB, and we'll come up with stacks of advertisements from our library of the best creative done in newspapers in this country, or south of the border.
- If you're in media, and you need a schedule analysis, but the bean-counters have cut back on computer terminals and the staff to run them, so that there's no way it can be run off until Friday – call the NMB, and we'll do the run for you, and if you're really pressed, we'll even bring it right over to you personally, all at no charge.
- The NMB is your best single source for information on daily newspapers. Our NADbank study is setting a new industry standard for accuracy and up-to-date information on an enormous range of products and services. We have the most comprehensive file collection of newspaper advertising available in the industry. And when it comes to publishing specific information about how to really use newspapers, just take a look at all the publications listed on the opposite page.





NMB Publications

Canadian Daily Newspapers – The Facts

- The most complete guide to the effective use of newspapers as an advertising medium currently available. Includes sections on media comparisons, advertising effectiveness, and a glossary of terms.

Reaching Canada through Daily Newspapers

- Details on every daily newspaper in Canada, with names, phone numbers, addresses, circulation, rates and page size – plus a day-of-the-week listing of regular features or sections for each newspaper.

NADbank Information Binder

NADbank Basic Demographics

NADbank Code Book

- The three publications that will maximize your effective use of the Newspaper Audience Databank. The first gives you all of the basic information that you need to know about the study; the second gives printed summary data on results in each market; and the third contains all of the computer codes for those using IMS, Telmar or Harris systems.

Fifty Plus Market

Goods and Services Tax (GST)

Changing Grocery Industry

Promotional Opportunities

- Four more NMB publications touching on subjects of interest to advertisers and their advertising agencies.

Other Publications Available from NMB

■ Southam Starch Norms

New Dimensions Study

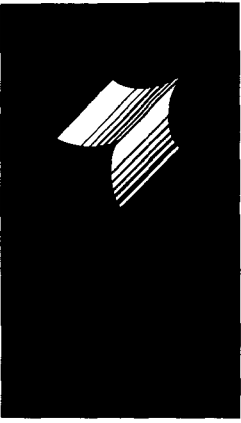
How Much Frequency is Enough?

Wood Gundy Report on Daily Newspapers

The Canadian Creative Newspaper

- All of the publications listed above are available on request to advertisers and their advertising agencies. There is no charge for any of these publications. Just ask the NMB for your copies. You'll find that taking advantage of this offer will help increase your effective use of daily newspapers.





Whether you're looking at media, or just at the market, the Newspaper Audience Databank (NADbank) study is full of new information that you can use when planning your advertising.

As far as we know, the only recent study that asked more people for this much information was the last Official Census.

- NADbank is the largest and most comprehensive media study ever undertaken in Canada. Approximately 24,000 people were interviewed. Over 30 markets were covered, and specific reading habits of over 50 newspapers – both weekday and weekend editions – were measured: (You'll find the complete list of markets and daily newspapers on the opposite page.)
- And unlike other media research studies that are available only to paying subscribers, access to NADbank is free and open to all advertising agencies and advertisers.
- NADbank is the single source of reliable information on Canadian daily newspaper readership. It is a superb tool for agencies when they are planning – or executing – advertising campaigns in daily newspapers. Knowledgeable media people know that they can increase the effectiveness and the efficiency of their newspaper plan by using media analyses based on NADbank. And these days, when every dollar is watched carefully, it's nice to be able to back up a good plan with sound data.
- NADbank is also an extraordinary source of market information that is quite independent of media habits. Each of the markets can be looked at individually, or grouped by province or region, or even nationally. (The range of products and services measured in the study is listed on the opposite page). For many of the areas covered in the study, individual CMA or CA market information just isn't available in any other study – and especially not without charge to the user.

- And all of the product and service information can be cross-tabbed to demographics. Whether you want to know who the target audience is for a product, or what kind of product would interest your target market, you'll find it in NADbank.
- All of the information in NADbank can be accessed by computer by those who subscribe to the IMS, Telmar, or Harris systems. Those who do not have computer access through one of these systems can get the information directly from NMB, or from one of the participating daily newspapers. Just ask for the runs you want, and we'll run them off for you – at no charge.
- And even if you do have computer access via one of these systems, there is often a good reason for asking NMB to do your runs for you anyhow. The NMB can save you internal staff time, or on-line access cost, by doing your NADbank runs for you. We're staffed to do them quickly. And we never forget that in our business, confidentiality on all requests for information is basic to good business.



What you can find in NADbank

NADbank Markets Newspapers

Victoria CMA
Times-Colonist
The Globe & Mail
The Province
The Vancouver Sun

Vancouver CMA
The Province
The Vancouver Sun
The Globe & Mail
The Financial Post

Prince George CA
The Prince George Citizen
The Globe & Mail
The Province
The Vancouver Sun

Kamloops CA
The Kamloops Daily News
The Globe & Mail
The Province
The Vancouver Sun

Calgary CMA
Calgary Herald
The Calgary Sun
The Globe & Mail
The Financial Post

Red Deer CA
Red Deer Advocate
Calgary Herald
The Calgary Sun
The Edmonton Journal
The Edmonton Sun
The Globe & Mail

Edmonton CMA
The Edmonton Journal

The Edmonton Sun
The Globe & Mail
The Financial Post

Medicine Hat CA
Medicine Hat News
Calgary Herald
The Calgary Sun
The Globe & Mail

Saskatoon CMA
Star-Phoenix
The Globe & Mail
The Calgary Sun

Regina CMA
The Leader Post
The Globe & Mail

Winnipeg CMA
The Winnipeg Sun
Winnipeg Free Press
The Globe & Mail

Sault Ste. Marie CA
The Sault Star
The Globe & Mail
The Toronto Star

Windsor CMA
The Windsor Star
Detroit Free Press
Detroit News
The Globe & Mail

London CMA
The London Free Press
The Globe & Mail
The Toronto Star
The Toronto Sun

Owen Sound CA
The Sun Times
The Globe & Mail
The Kitchener-Waterloo
Record
The Toronto Star

**Kitchener/
Waterloo CMA**
Cambridge Reporter
The Kitchener-Waterloo
Record
The Globe & Mail
The Toronto Star
The Toronto Sun

Brantford CA
The Expositor
The Globe & Mail
The Hamilton Spectator
The Toronto Star
The Toronto Sun

Hamilton CMA
The Hamilton Spectator
The Burlington Spectator
The Globe & Mail
The Toronto Star
The Toronto Sun

**St. Catharines/
Niagara CMA**
Niagara Falls Review
The Standard
Welland-Port Colbourne
Tribune
The Globe & Mail
The Toronto Star
The Toronto Sun

North Bay CA
The Nugget
The Globe & Mail
The Toronto Star

Toronto CMA
The Globe & Mail
The Toronto Star
The Toronto Sun
The Financial Post

Kingston CA
The Whig-Standard
The Globe & Mail
The Toronto Star

Ottawa/Hull CMA
The Ottawa Citizen
The Ottawa Sun
Le Droit
The Globe & Mail
Le Journal de Montréal

Montréal CMA
The Gazette
Le Journal de Montréal
La Presse
The Globe & Mail

Granby CA
La Voix de l'Est
Le Journal de Montréal
La Presse

**Trois-Rivières CMA/
Shawinigan CA**
Le Nouvelliste
Le Journal de Montréal
La Presse

Sherbrooke CMA
The Record
La Tribune
The Gazette
Le Journal de Montréal
La Presse

Québec CMA
Le Journal de Québec
Le Soleil

**Chicoutimi/Jonquière
CMA**
Le Quotidien
Le Journal de Québec
La Presse
Le Soleil

Saint John CMA
The Evening Times-Globe
The Telegraph-Journal
The Globe & Mail

Moncton CA
The Times-Transcript
The Globe & Mail
The Evening Times-Globe
The Telegraph-Journal
The Chronicle-Herald
The Mail-Star

Halifax CMA
(1991 NADbank)
The Chronicle-Herald
The Mail-Star
The Daily News
The Globe & Mail

NADbank Information

Demographics

Age
Sex
Language
Household Income
Personal Income
Education
Employment
Occupation
Housing
Household Composition
Civil Status

Products/Services

Automotive Ownership/Maintenance/Use
Beer/Wine/Liquor
Cosmetics/Personal Care/Health
Fashion (Men/Women/Children/Teens)
Financial Institutions (Products/Services)
Food Shopping Behaviour
Furniture
Grocery & Convenience Stores
Home Entertainment Products
Home Improvements
Household Appliances/Equipment

Jewelry/Watches
Leisure Activities
Retail Shopping
Restaurants
Sporting Goods
Travel (Business/Pleasure)

Media Habits

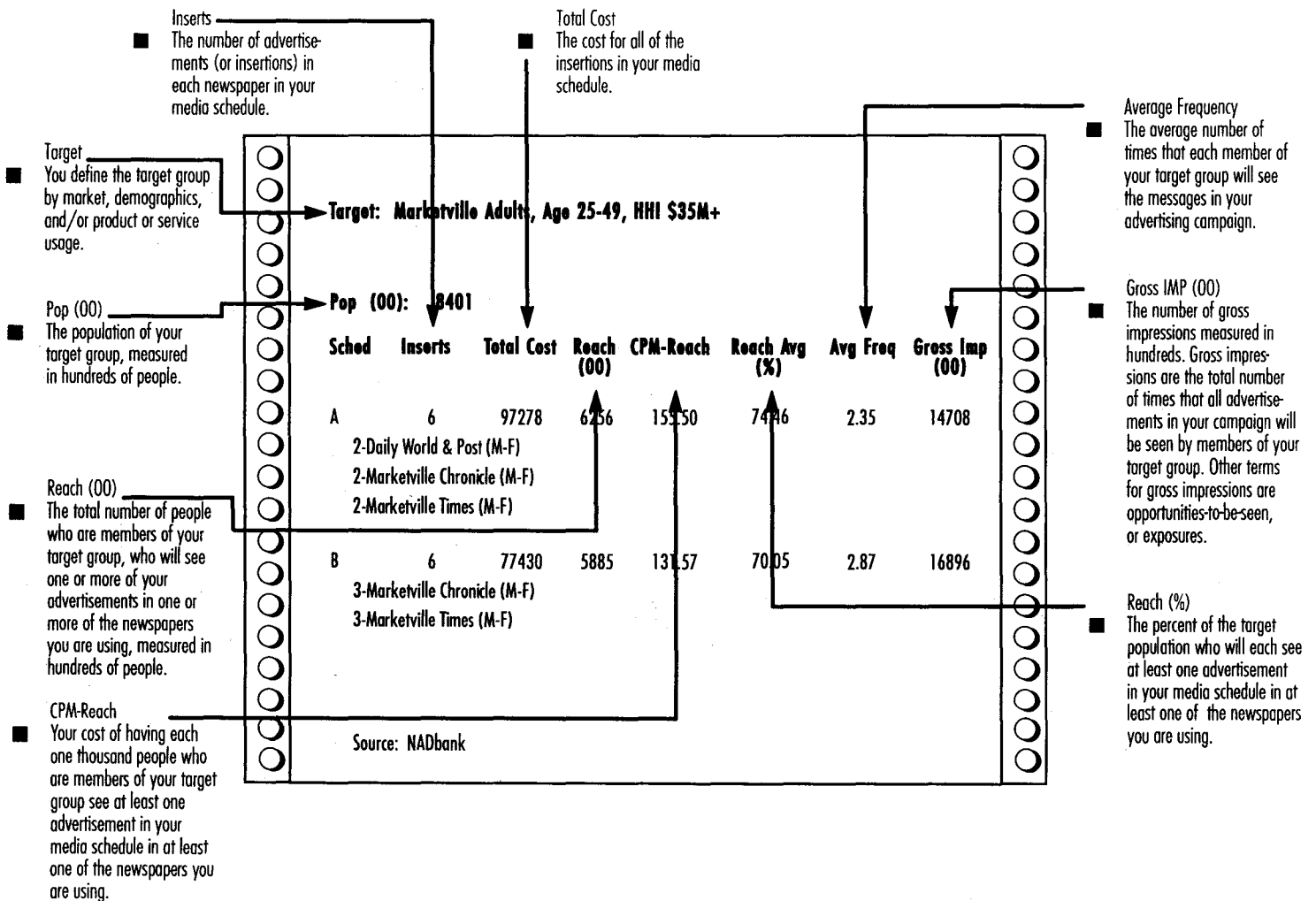
Daily Newspaper Readership
Daily Newspaper Editorial/
Sectional Interest
TV Supplement Readership
Inserts/Flyers
Radio/Television/VCR Usage



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des quotidiens, Inc.

How to Read a Schedule Comparison

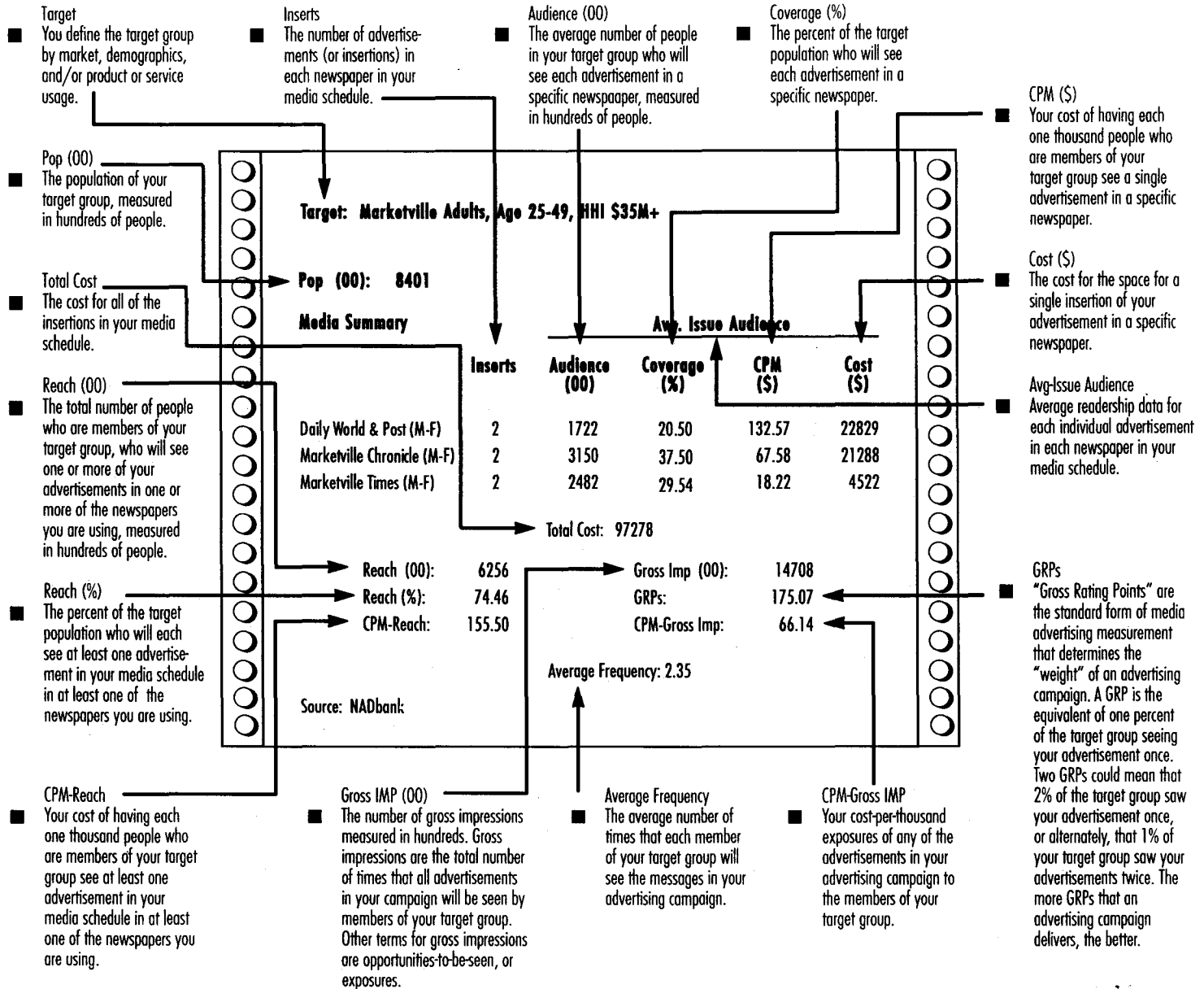
A schedule comparison evaluates how well each of two or more newspaper schedules reaches your target group with specific combinations of newspaper advertisements.



If you have any questions about interpretation of results of a report, don't hesitate to ask us. We're here to help make it easy for you to really use newspapers.

How to Read a Schedule Analysis

A schedule analysis evaluates how well, and how often, you reach your target group with a specific combination of newspaper advertisements.



Note: Reports can be provided to you by the Newspaper Marketing Bureau that include more information than that shown on this sample report. Frequency distributions in a variety of formats are also available, as are calculations of median frequency. Please ask your NMB representative for reports designed to meet your specific needs.

If you have any questions about interpretation of results of a report, don't hesitate to ask us. We're here to help make it easy for you to really use newspapers.



Newspaper Marketing Bureau, Inc.
 Le Bureau de commercialisation
 des quotidiens, Inc.

How to Read a Media Cross-Tab

A Media Cross-Tab can tell you what the profile of a daily newspaper's audience is – based on demographics, or according to the use of products and services. And if you want to compare newspapers within a market, you can use a Media Cross-Tab to look at reach, exclusivity, and duplication for each newspaper.

		Marketville Adults Age 18+		
		Totals	Read Yesterday Marketville Chronicle (M-F)	Read Yesterday Marketville Times (M-F)
	UnWgt	1500	531	419
	(00)	21575	7857	5850
	Vert%	100.00	100.00	100.00
	Horz%	100.00	36.42	27.11
	Index	100	100	100
HHI < \$20M	UnWgt	205	64	40
	(00)	2811	895	517
	Vert%	13.03	11.39	8.84
	Horz%	100.00	31.84	18.39
	Index	100	87	68
HHI \$20M-\$35M	UnWgt	339	110	101
	(00)	4612	1607	1429
	Vert%	21.38	20.45	24.43
	Horz%	100.00	34.84	30.98
	Index	100	96	114
HHI \$35M-\$50M	UnWgt	367	133	116
	(00)	5147	1940	1515
	Vert%	23.86	24.69	25.90
	Horz%	100.00	37.69	29.43
	Index	100	103	109
HHI \$50M+	UnWgt	589	224	162
	(00)	9005	3416	2389
	Vert%	41.74	43.48	40.84
	Horz%	100.00	37.93	26.53
	Index	100	104	98

Source: NADbank

Unwgt
The Unweighted Count is the number of actual people who were interviewed for NADbank who are members of your target group. This is sometimes called "Sample Size" or "Base."

(00)
The Projected Population is the number of people in the market, measured in hundreds, that the sample represents. Weights have been applied in making this projection, so that this number is not just a simple multiple of the Unweighted Count.

Vert%
The Vertical Percent is the relationship between the number of readers in a specific demographic group, and the total number of readers that you find at the top of the column. The Vertical Percent gives "Composition" of a newspaper's audience.

Horz%
The Horizontal Percent is the relationship between the number of readers of a specific newspaper, and the total population of a demographic group that you find at the left-hand end of the row. The Horizontal Percent gives "Reach" of a newspaper.

Index
The Index on Vertical Percent is a measure that compares the proportion of readers of a newspaper who are members of a specific demographic group to the proportion of the population who are members of that group. The Index helps point out the different strengths or weaknesses of each newspaper compared to a standard of 100.

If you have any questions about interpretation of results of a report, don't hesitate to ask us. We're here to help make it easy for you to really use newspapers.



Newspaper Marketing Bureau, Inc.
Le Bureau de commercialisation
des quotidiens, Inc.

How to Read a Products/Services Cross-tab

A Cross-Tab can tell you what the profile of the consumers of any of the products or services covered by NADbank is – based on demographics, according to their media usage habits, or even according to their use of other products or services.

Unwgt
The Unweighted Count is the number of actual people who were interviewed for NADbank who are members of your target group. This is sometimes called "Sample Size" or "Base."

(00)
The Projected Population is the number of people in the market, measured in hundreds, that the sample represents. Weights have been applied in making this projection, so that this number is not just a simple multiple of the Unweighted Count.

Vert%
The Vertical Percent is the relationship between the number of people in a specific demographic group, and the total number of people that you find at the top of the column. The Vertical Percent gives Composition of the market for a product or service.

**Marketville Adults Age 18+
Financial Institution
used most often**

	Totals	HHI < \$35M	HHI \$35M+
Totals	Unwgt (00) 1500 Vert% 21575 Horz% 100.00 Index 100	544 7423 100.00 100	956 14152 100.00 100
Canadian or Foreign Bank	Unwgt (00) 1006 Vert% 14339 Horz% 66.46 Index 100	351 4740 63.86 96	655 9599 67.83 102
Trust Co.	Unwgt (00) 198 Vert% 2863 Horz% 13.27 Index 100	64 900 12.12 91	134 1963 13.87 105
Credit Union or Caisse	Unwgt (00) 65 Vert% 851 Horz% 3.94 Index 100	24 311 4.19 106	41 540 3.82 97
None of these or DK/NA	Unwgt (00) 231 Vert% 3522 Horz% 16.32 Index 100	105 1472 19.83 122	126 2050 14.49 89

Source: NADbank

Horz%
The Horizontal Percent is the relationship between the number of consumers of a specific product or service, and the total population of a demographic group that you find at the left-hand end of the row. The Horizontal Percent gives the "penetration" of a product or service in the market against a specific target group.

Index
The Index on Vertical Percent is a measure that compares the proportion of users of a product or service who are members of a specific demographic group to the proportion of the population who are members of that group. The Index helps point out the different strengths or weaknesses of each product or service compared to a standard of 100.

If you have any questions about interpretation of results of a report, don't hesitate to ask us. We're here to help make it easy for you to really use newspapers.





16 Reasons why you should use daily newspapers.

We're here to help make sure you use newspapers efficiently and effectively.

1 - Reach

■ Daily newspapers provide instant reach. A single newspaper advertisement will reach more people in a market than a single advertisement in any other medium. A daily newspaper is a mass medium.

2 - Lack of Fragmentation

■ In most major Canadian markets, there are only two daily newspapers, which combined give almost complete market coverage. In smaller markets, one daily newspaper does the same job. Fragmentation of audience is not a problem with daily newspapers.

3 - Circulation

■ The average number of newspaper copies sold per day has increased faster than population growth. Circulation is now at an all-time high. And people pay cash for their daily newspapers. They do not receive them for free over the airwaves, or have them turn up unsolicited on their doorstep.

4 - Flexibility

■ Newspapers are the most flexible of media when it comes to the ease of making changes to an advertisement, or variations that adapt an advertisement from one market to another. The production costs involved are low compared to any other medium.

5 - Immediacy

■ The fact that newspapers are a daily medium with a news and information content creates immediacy for an advertisement in a daily newspaper. This is why newspapers are considered a "sales-action" medium.

6 - Targeting

■ Newspapers can be targeted market by market, and sometimes even within a geographical market. Different sections within a newspaper target the readers by their interests.

7 - Credibility

■ People believe the newspaper they read. The editorial believability of the daily newspaper carries over to the advertisements carried in the paper.

8 - Creative

■ The size of the newspaper page or pages allows for the use of virtually any size ad. Dailies provide you with the opportunity to vary your ad copy and size, market by market, week by week, or even day by day.

9 - Environment

■ Newspaper advertisements do not suffer from the kind of clutter that has become a problem in broadcast. While many advertisements may appear on a newspaper spread, the reader can decide on the speed with which he/she reads, giving each advertisement its chance to be read. And the time they spend with their newspaper is increasing.

10 - Affordability

■ Newspaper space costs are very competitive with other media, and in fact offer a greater range of cost options with the large number of different size advertisements that can be used. Newspaper production costs are lower than for any other major medium.





16 Reasons why you should use daily newspapers (cont'd).

11 - Detail

■ No other medium can accommodate the wealth of detail and specifics that can be contained in a single newspaper advertisement. And because it is printed, it can serve as a permanent record for future reference.

12 - Shopping Guide

■ Daily newspapers are read for their advertisements as well as for news. Many readers treat them as shopping guides or catalogues of specials available in the market.

13 - Frequency

■ Newspapers offer daily frequency, building a quick and high frequency against a very strong percentage of consumers.

14 - Short Lead-Times

■ Lead-times for space reservation are very short compared to other media, while lead-times for delivery of material, or last-minute revisions, are even shorter yet.

15 - Availability

■ Availability of space is seldom a problem with daily newspapers because of the fact that the number of pages (or sections) of a newspaper can be varied up to the reservation deadline.

16 - Effectiveness

■ Newspaper advertising works. It works for national advertisers, and it works for local advertisers. And it will work for you.

We hope that this introduction to the Newspaper Marketing Bureau assists you in understanding the range of services we have to offer.

The addresses and telephone numbers of our three offices — Vancouver, Toronto and Montreal — are listed on the

back of this brochure. We encourage you to contact us and make use of the services and information we've described, or to ask for assistance on any topic concerning advertising in daily newspapers.



Toronto

10 Bay Street, WaterPark Place

Suite 201,

Toronto, Ontario

M5J 2R8

(416) 364-3744

Fax: (416) 363-2568

Creative Hotline: (416) 364-IDEA

Vancouver

1005-1166 Alberni St.,

Vancouver, British Columbia

V6E 3Z3

(604) 669-8796

Fax: (604) 683-1240

Montréal

1245 Sherbrooke St. W.

Suite 1670,

Montréal, Québec

H3G 1G2

(514) 282-1542

Fax: (514) 843-4354



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