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Evaluation of the Canada Periodical Fund (CPF) For the period 2010-11 to 2014-15

Evaluation Services Directorate

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LIST OF ACRONYMS

AQEM	Association québécoise des éditeurs de magazines
AMPA	Alberta Magazine Publishers' Association
ATP	Aid to Publishers
BCAMP	B.C. Association of Magazine Publishers
BI	Business Innovation
CBF	Canada Book Fund
CI	Collective Initiatives
CPF	Canada Periodical Fund
EBP	Employee Benefits Plan
ESD	Evaluation Services Directorate
FedAA	Federal Accountability Act
FPASA	Foreign Publishers Advertising Services Act
FTE	Full time equivalent
G&C	Grant and contribution
GCMi	Program database
GLBT	Gay, Lesbian, Bisexual and Transgender
MMPA	Manitoba Magazine Publishers' Association
OCAEE	Office of the Chief Audit and Evaluation Executive
OMDC	Ontario Media Development Corporation
O&M	Operating and maintenance
PAA	Program Activity Architecture
PAP	Publications Assistance Program
PCH	Department of Canadian Heritage
PMF	Performance Measurement Framework
PPPP	Periodical Publishing Policy and Programs Directorate
PRG	Policy Research Group
PSC	Program Support Centre
RAF	Risk Assessment Framework
MAF	Results-based Management and Accountability Framework

SFP	Support for Publishers
SR&ED	Scientific Research and Experimental Developmental Tax Incentive
ProgramTBCS	Treasury Board of Canada Secretariat
WMAF	Western Magazine Awards Foundation
WTO	World Trade Organization

EXECUTIVE SUMMARY

Overview of the Program

The Canada Periodical Fund (CPF), managed and delivered by the Cultural Industries Branch of the Department of Canadian Heritage, was launched as a new fund in 2010 to replace two earlier support programs for the periodical sector: the Canada Magazine Fund and the Publications Assistance Program (PAP).

The CPF provides grants and contributions to Canadian print magazines, community newspapers and industry associations to support them in the creation of diverse Canadian content. The Fund is administered through three sub-components:

- Aid to Publishers (ATP), which distributes operational funding to print magazines and community newspapers in proportion to how many copies they sell (\$71.3 million total funding per year);
- Business Innovation (BI), which funds innovation and business development projects undertaken by print and digital magazine publishers (\$1.5 million total funding per year); and
- Collective Initiatives (CI), which funds projects that contribute to the overall sustainability of the industry (\$2 million total funding per year).

The program is part of the Program Activity *Cultural Industries* presented in the PCH Program Alignment Architecture and contributes to *Strategic Outcome 1*: “Canadian artistic expressions and cultural content are created and accessible at home and abroad”.

Evaluation Approach and Methodology

Context and purpose

The evaluation of the Canada Periodical Fund covers the period from April 1, 2010 to March 31, 2015. The evaluation was conducted in 2014 by the Evaluation Services Directorate (ESD) Department of Canadian Heritage. The work was shared among: ESD, Policy Research Group of PCH, a contractor, and an agency providing analysis relating to efficiency and economy.

The purpose of the evaluation is to examine the following:

- The relevance of the program, in particular with regard to the extent to which (i) the CPF continues to meet a demonstrable need and respond to Canadians’ and periodical publishers’ needs; (ii) the CPF’s objectives are in line with federal government priorities and departmental strategic outcomes; (iii) the CPF is aligned with the federal government’s and the Department’s roles and responsibilities.
- The performance of the CPF (effectiveness, efficiency, and economy).
- Other issues of pertinence to the program, including performance monitoring and measurement.

Methodological approach

The evaluation used the following lines of investigation:

- Literature review and review of industry statistical information
- Document review and review of project files and administrative databases
- Interviews with key informants: industry organizations (including several CI recipients) and ATP recipients (including three who have been denied funding in some years)
- Case studies
- Surveys of Aid to Publishers and Business Innovation applicants
- Value-for-money analysis
- Expert panel

In this report, observations, findings and conclusions are always based on more than one line of evidence, unless otherwise stated.

Limitations

Limitations of the evaluation, which have been taken into consideration in the formula of findings, conclusions, and recommendations, include a lack of reliable statistical information on the wider periodical industry; some gaps in performance data (e.g., unavailability of data for some years; limited information on long-term results); the size and scope of the program (three different components targeting two broad stakeholder groups and two distinct sectors of the wider periodical industry), which could warrant much further research and analysis; and differences in scale of each line of evidence.

Findings

Relevance

There continues to be a need for federal government support for the magazine and community newspaper¹ industries. The program was first designed to help the Canadian periodical industry mitigate the pressures of competition from much larger US publications (particularly in the case of magazines), and the inefficiencies of Canadian distribution in a large country with sparse population density. The conditions and challenges under which the CPF was formed persist today, and the need for support may be even greater than when the CPF was designed given increased competition from digital sources for advertising revenue, decreasing print circulation figures, rising distribution costs, and attempts to devise and transition to profitable models of

¹ Previously known as non-daily newspapers (2009 TB Submission).

digital distribution and readership. This is particularly true given that the industry is still recovering from the 2008 recession. A number of key indicators of the periodical industry's financial health dropped significantly after 2009 - especially for magazines - including advertising revenues, paid circulation, total circulation and profitability. The industry's systemic challenges were exacerbated by the global recession and the growing encroachment of Internet-based advertising. Evidence indicates that there is a high demand for Canadian content, and that the industry plays a culturally and economically significant role to Canada and Canadians - further solidifying the relevance of federal support in this area.

The CPF is well-aligned with government priorities with respect to promoting a vibrant Canadian culture and heritage, and with Canadian Heritage's strategic outcome of ensuring Canadian cultural and artistic content is accessible to Canadians at home and abroad. Delivery of the program is an appropriate role for the federal government, given the scale of the industry, its economic importance to Canada and the federal government's interest in the creation of diverse Canadian content. In 2010, the industries contributed – together - over \$4.5 billion to Canada's GDP². No other organization or level of government has been identified that could deliver a program with the scale and scope of the CPF.

Federal support remains relevant both to publishers and to the industry organizations that represent and assist segments of the magazine and community newspaper industries. Appropriately, the program offers components that directly support both publishers and industry organizations.

The CPF's largest component, ATP, ties financial support to the reading choices of Canadians. This is known as “wantedness”. In other words, the more print copies a publication is able to sell or have directly requested, the greater its funding (up to a certain amount). Therefore, certain types of periodicals - such as digital-only titles, free publications, newly launched titles and periodicals with paid print circulation under 5,000 (or under 2,500 for special groups) – do not fall within the ATP's scope.

That said, while more lenient eligibility criteria exist for ethnocultural, Aboriginal, official language minority (OLM), and GLBT publishers, some respondents suggested that ATP is less responsive to their needs than those of mainstream publications. However, the evaluation found no quantitative evidence to demonstrate the importance of this issue.

Performance: Achieving Expected Outcomes

The program has provided a substantial, and sometimes critical, amount of funding through ATP to more than 800 titles each year. Recipients are granted flexibility in how they invest funds, and many report using ATP grants to offset increasing business costs (i.e. editorial, marketing, digital and distribution costs), or to undertake new activities they otherwise would not - such as developing their digital presence.

² Source: StatsCan Cultural Satellite Account

ATP recipients regard this funding as vital. Nonetheless, a better understanding of the funding's impact on recipients could be gathered through enhancements to reporting for this component. Other areas of improvement include reducing administrative burden on applicants and staff; providing tools to enable recipients to better anticipate how much funding they may receive; and timelier payment and notification of funding decisions.

The BI component has contributed to innovation and business development in small and medium-sized magazines. It has funded over 200 projects that have helped recipients achieve specific, targeted outcomes like increasing their digital presence and digital advertising revenues, developing skills and building knowledge, hiring staff, and increasing capacity for business development and innovation. Suggestions for improvement to BI to enhance its effectiveness and efficiency include reviewing eligibility criteria to increase targeted support for innovation in periodicals that are not currently eligible for BI funding, such as newly-launched titles and community newspapers.

Currently, the BI is undersubscribed, and there are several reasons why this could be the case. First, the program's application process has gained a reputation for being burdensome, relative to the amount of funding that is offered (i.e., a maximum of \$25,000 per year). Second, during the early years of the program, a large number of BI projects were rejected, which may have discouraged some applicants from reapplying. Third, evidence indicates that the program is not well known. For these reasons, it may be beneficial to explore methods of streamlining the application process or increasing the amount of support offered and to raise the Component's profile in the industry to ensure applicants take advantage of the support it provides. In addition, the program could benefit from having information on the long-term results of BI projects to guide future decision-making.

The CI component complements ATP and BI by providing project-based support to organizations that promote industry-wide knowledge sharing and sustainability initiatives. Almost 100 projects have been funded and have made immediate contributions to professional development and intra-industry cooperation. Awareness of the component in the industry is high, and CI is seen as well-designed and "reasonable" in its application and reporting requirements in relation to the amount of funding available. CI has been used to help recipients achieve a number of outcomes in a wide range of areas, including digital adaptation, professional development, branding, marketing and advertising. CI has also been successful at developing and strengthening networks at the industry level, allowing associations to provide value and relevance to their membership through the leveraging of significant federal government investments. Although the program is able to discern impact trends when applicants apply for funding in several years, a more comprehensive understanding of how CI contributes to the long-term health and sustainability of the industries would be beneficial.

There is evidence of the positive impact that the CPF has had on the industry. For example, survey evidence reveals that most recipients have experienced positive change in one or more aspects of their business (e.g., increased digital presence, increased circulation revenue, increased advertising revenue, profitability), and attribute at least some of the change to the CPF. Satisfaction with most aspects of the CPF is also high among recipients. Exceptions to this high satisfaction are with regard to the clarity of funding decisions (both for BI and ATP) and

perceived fairness of funding. However, it should be noted that some respondents expressed dissatisfaction that, given the nature of the formula approach, ATP funding amounts to recipients can vary greatly from year to year (if their circulation decreases relative to the circulation of all other applicants).

In spite of evidence of these positive impacts, the overall operational weakening of the periodical industry since the CPF's creation makes it difficult to demonstrate clear progress toward CPF's intermediate outcomes. Limited industry data, external factors (global recession, rapid evolution of digital technology), and the CPF's funding relative to the size of the entire periodical industry make it challenging to isolate the CPF's impact from other mitigating factors.³

Given the extremely challenging environment in which the periodical industry has been operating since 2008, the CPF's impact has most likely been experienced as a softening of an otherwise dramatic downward trend (as recipients have been able to use funding to offset costs, initiate efforts to increase sales or establish a digital presence).

With the general outlook of the industry pointing to stagnation and even decline, the availability of more reliable industry data is required to help illuminate the intermediate and ultimate outcomes of the CPF.

On the other hand, CPF support has been vital to individual recipients of funding, providing support to part of a fragile industry coping with unprecedented change. CPF has helped some periodicals to survive - ultimately providing Canadians with better access to a wider range of Canadian content. The survival of publishers and titles has helped to preserve jobs and learning opportunities for people in the field, and contributed to sustainability in the industry.

Performance: Economy and Efficiency

The administrative costs associated with the delivery of the program (3.6 percent in relation to total funding in 2013-2014) are lower than two other programs in the cultural industries branch. Furthermore, there is no evidence that an alternative model (e.g., delivery of components by third parties) would lead to cost savings. In addition, there is no indication that the program duplicates any other measure delivered by other organizations or levels of government. The CPF is a simplified and streamlined version of the previous programs that direct financial support to the magazine and community newspaper industries. While the CPF is administered efficiently overall, organizational efficiency could be improved under the current design, by redistributing the workload for ATP and streamlining the application process for ATP and BI. Improvements to these areas would likely alleviate administrative burden on program staff and reduce some negative unintended impacts of the program.

³ In 2013-2014, the CPF provided \$55 million to magazines and \$16 million to newspapers. According to the most recent Statistics Canada Survey, total operating revenues were \$2.1 billion for the magazine industry in 2011 and \$4.7 billion for the newspaper industry in 2012.

Performance: Other Issues and Outcomes

There are some areas in which performance measurement could be strengthened. Improving the availability of industry data would assist in measuring progress toward intermediate and ultimate outcomes. In a similar vein, encouraging ATP recipients to report results would contribute to performance measurement by allowing an understanding of the component's impact on the industry, although this would need to be balanced with the administrative capacity of the program. If it is not possible to obtain additional information (either from industry sources or ATP recipients), certain indicators and intended outcomes of the program may need to be adjusted. Finally, instituting long-term reporting requirements for BI and CI recipients would help to establish the impact of these components, but again, this must be balanced with sensitivity to the burden this places on recipients and program staff.

Through ATP, the CPF currently meets its obligations toward OLM communities, but the share of funding to these communities may decline: key informants suggested that some OLM publications may struggle to meet the current program criteria, as community fragmentation and population loss have led to a decline in circulation. However, program data indicates that some OLM publications have been successful in increasing their circulation and in these cases, have received increased funding through ATP.

Moving Forward

- As mentioned earlier, the periodical industry in Canada has changed significantly in the last five years, driven by a global recession and constant technological change. While the CPF was designed in response to industry needs, taken together, the evidence on the program's relevance and performance suggests that the program's current guidelines, including its eligibility criteria for ATP and the basis for formula funding (i.e., paid print circulation) is becoming increasingly incongruent with the shifting realities of the industry in the following areas:
- **The definition of "wantedness" may need to be revisited in the current environment.** The principle of wantedness as determined by payment for print copies faces some challenges given industry trends and pressures to include not only digital, but also sponsored copies (copies purchased by a sponsor for distribution to targeted consumers to increase its relationship with the consumers) and other forms of free distribution.
- **Digital circulation is not currently rewarded in the ATP formula.** Digital technology is a significant development in the industry that impacts business models, revenue streams, production, readership and distribution. Periodicals are experimenting with digital circulation and although this model has not replaced print circulation, the industry is expressing a desire for their achievements and investments in digital to be rewarded by the program. Furthermore, there is some evidence that the focus on rewarding print periodicals that operate within the paid distribution model may be inadvertently stifling innovation in the industry.

- **ATP directly supports portions of the magazine and community newspaper industries**, but the proportion supported appears to be shrinking, which may be at odds with the program’s objectives related to diversity. While the number of applicants to ATP is decreasing, the number of ineligible periodicals (digital-only titles, free publications, very small publications [paid circulation under 2,500]), and newly-launched titles is increasing. This may be increasingly the case as publishers look to new distribution and revenue models in order to attract readers and advertisers, meaning that the program in its present design may be relevant to fewer and fewer publications over time. In particular, as mentioned earlier, key stakeholders and experts suggested that some periodicals serving ethnocultural, Aboriginal, OLM and GLBT audiences have had difficulty meeting the criteria for funding. Some applicants surveyed as part of the evaluation expressed a desire for increased support to small publications. Given the lack of detailed industry data on these segments of the industry, the extent of this issue is not fully understood but this would seem to be at odds with the ultimate outcome of ensuring Canadian content is accessible to Canadians, and intermediate objectives of fostering diversity in the industry.

These critical areas highlight the need for a review of the program’s objectives, eligibility criteria and formula approach in order to ensure the program remains relevant to the needs of the periodical industry.

Recommendations

1. The Assistant Deputy Minister, Cultural Affairs Sector should undertake a review of the formula funding approach and eligibility criteria for the Aid to Publishers component of the Canada Periodical Fund and consider whether these are appropriate to respond to the present and future needs of each of the two industries (magazines and community newspapers).

The evaluation found that the current ATP approach may be incompatible with current and evolving industry needs and the program’s intended outcomes. Although the fund cannot support all periodicals given budget limitations, the evaluation evidence indicates there are some aspects of the industry that should be accorded greater consideration given broad industry trends. In particular digital-only periodicals are ineligible, and digital copies are not factored into its current formula.

The evaluation found that excluding digital copies from the formula may be unintentionally discouraging publications from investing in digital in order to maintain their print operations. (It should be noted that ATP funding can be used to invest in digital initiatives and infrastructure.) In addition, the current program excludes periodicals that use alternative models to paid/request circulation, those that remain too small to meet the minimum circulation criteria, and those that struggle to meet certain other criteria (i.e. proof of circulation or Canadian content). The evidence indicates that some of these periodicals play an important role in producing original Canadian content and that there may be a rationale for government support to these titles. Therefore, a comprehensive review of eligibility criteria should be undertaken – bearing in mind

the current and anticipated future industry conditions – to ensure that the CPF continues to support intended segments of the industries and maintains its relevance.

Furthermore, the formula basis for funding, (which can be viewed on the PCH website), has been criticized by some respondents for lacking clarity. This poses difficulties for some periodicals, especially smaller ones, who are unable to predict and count on ATP funding in planning their operations.

2. The Assistant Deputy Minister, Cultural Affairs Sector should review processes to implement greater administrative efficiencies in the Aid to Publishers and Business Innovation components of the Canada Periodical Fund.

The evaluation found that the program is administered relatively efficiently. However, there are areas in which burden can be reduced for both program staff and applicants.

For the ATP component, alternative approaches to a single application deadline may be a more efficient way to manage workloads, resulting in less burden on program staff and, ultimately, applicants (ATP currently receives between 800-1000 applications per year). Suggestions for reducing applicant burden include: staggering applications by periodical type (community newspapers or magazines); using online applications; streamlining the information required and using information from previous applications.

The burden of applying to BI was also raised as a concern. For both BI and ATP, applicants suggested instituting multi-year funding to reduce burden.

The evaluation also found that some applicants struggle with tight budgets and not knowing for lengthy periods of time whether they will receive funding. Consequently, the program should undertake efforts to inform applicants of funding decisions in a timely manner.

3. The Assistant Deputy Minister, Cultural Affairs Sector should enhance engagement with stakeholders of the Canada Periodical Fund to ensure it responds to evolving needs and remains relevant.

The evaluation found that stakeholders feel the government has an important role to play in the magazine and community newspapers industries, especially as these industries are undergoing rapid transformation. Stakeholders who were surveyed and interviewed conveyed a desire to be more involved in determining both how public funding can best support the industry, and which segments are more in need of assistance. In response to this, the program should engage in meaningful dialogue with stakeholders (including magazine and community newspaper publishers, industry organizations, and industry experts) as the CPF continues to evolve.

4. The Assistant Deputy Minister, Cultural Affairs Sector should investigate opportunities to elevate the profile of the BI component of the Canada Periodical Fund for greater impact.

The evaluation found that BI is a valued component but is less well-known than ATP and CI. The high rejection rates over the last three years and relatively low funding may have discouraged some publishers from applying. The program should investigate ways to keep this component relevant and responsive to the industry, which could include: reviewing the eligibility criteria along with industry trends and needs; reconsidering the amount of support offered; investigating new outreach and promotion opportunities; and investigating how rejection rates could either be lowered or substantiated. (Obtaining information to be able to demonstrate long-term results, and reducing the administrative burden on applicants, as addressed in Recommendations #2 and 5, may also help this component.)

5. The Assistant Deputy Minister, Cultural Affairs Sector should undertake efforts to improve the collection and analysis of Canada Periodical Fund performance measurement information, including the collection of immediate and longer-term results of program activities as well as industry-wide data.

The evaluation found a number of areas in which data collection could be improved in order to demonstrate results and guide decision-making.

a) As a grant program, the ATP component does not include a requirement for recipients to report on the results of their funding. This approach has allowed the program to process applications efficiently, but the absence of information makes it difficult to discern how funding is being used by these organizations and what results are being achieved. The program should introduce some form of activity reporting for formula-funding recipients to show immediate results of ATP funding (e.g., how ATP funds were allocated by the recipient, impact of the allocated funds on the increased capacity or overall health and stability of the organization).

b) While BI and CI recipients are always required to submit final activity reports, they are not required to report on results beyond the fiscal year when the funding ends. The absence of this information makes it difficult to understand what the long term results of these projects are. The program should take steps to institute longer-term reporting for BI and CI recipients, perhaps looking to other programs that collect long-term results from recipients. However, the evaluation also found that BI recipients encounter administrative burden in the application process (see section 5.1.1), so any effort to augment reporting needs to be balanced with measures to reduce administrative burden.

c) Data on the industry is infrequently updated and does not fully meet the program's information needs. The program requires industry data to have an understanding of CPF's impact on the broader industry and in the longer term. There is a particularly acute need for information on community newspapers.

The program should work with appropriate organizations (e.g., Statistics Canada, Magazines Canada, Newspapers Canada, circulation audit bureaus) to obtain industry-wide data – including information and measurements on digital activities (copies, revenues, etc.) that will measure indicators of the industry’s health and sustainability relevant to the program’s objectives. This information would be useful not only in the evaluation of program impact but also to the associations relied upon to assemble and disseminate up-to-date information on the health and stability of these two industries.

6. The Assistant Deputy Minister, Cultural Affairs Sector should review the Canada Periodical Fund’s logic model and assess whether the program’s objectives and performance targets reflect its goals.

The evaluation found that some intended outcomes may not be well-aligned with the program design. While many recipients found CPF funding to be crucial to their survival, some questioned whether the Fund’s immediate outcome to lower business costs was an appropriate measure. Specifically, it was noted that reduced or declining business costs can be incompatible with business expansion, and that recipients tend to view CPF funding as “offsetting” existing costs, rather than reducing business costs.

In addition, the program does not set targets for achieving diversity among the industries (making it difficult to assess this outcome), and the target number of titles the program intends to fund has not been met during any of the four years. For these reasons, the program’s logic model, objectives, and performance targets should be reviewed, and should be flexible to adapt to rapid change in the industry.

1. Introduction

This document constitutes the final report on the evaluation of the Canada Periodical Fund (CPF). The evaluation responds to the requirement for full evaluation coverage of all ongoing programs of grants and contributions, as per the *Financial Administration Act* and Treasury Board's 2009 Policy on Evaluation.

The report is divided into five sections, including this introduction which provides a summary of the CPF and the context of this evaluation. Section 2 briefly describes the evaluation design and the methods used, including the methodological limitations and challenges encountered. Section 3 presents the main findings of the evaluation while sections 4 and 5 provide conclusions and recommendations.

1.1 Purpose

This evaluation report is to be used for performance monitoring and measurement purposes by the Department, and to inform policy and program improvements and any future update to the program's terms and conditions.

2. Program Profile

2.1 Background and Context

The Canada Periodical Fund (CPF) is managed and delivered by the Cultural Industries Branch at the Department of Canadian Heritage (PCH). The CPF provides grants and contributions to publishers of Canadian magazines and community newspapers to help them continue to publish Canadian content and to make these titles available to Canadians, in the face of the challenges of the complex periodical marketplace. The CPF was launched as a new fund in 2010-11 to replace two earlier support programs for the periodical sector: the Canada Magazine Fund and the Publications Assistance Program (PAP).

The program is part of the Program Activity *Cultural Industries* presented in the PCH Program Alignment Architecture and contributes to *Strategic Outcome 1*: Canadian artistic expressions and cultural content are created and accessible at home and abroad.

2.2 Objectives and Outcomes

The overall objective of the CPF is to ensure Canadians have access to diverse Canadian content in magazines and community newspapers. The CPF seeks to achieve its objective by providing grants and contributions to the Canadian magazine and community newspaper industries. The CPF supports the periodical industry through three components: Aid to Publishers, Business Innovation, and Collective Initiatives.

The program's expected results, as articulated in the TB approved Terms and Conditions (2009, Annex B) are as follows:

Immediate outcomes

- Lower business costs for Canadian magazines and community newspapers;
- Increased number of innovation and developmental projects undertaken by small and medium-sized publishers;
- Increased number of industry development initiatives undertaken by magazine and community newspaper associations.

Intermediate Outcomes:

- Maintain or increase distribution of Canadian magazines and community newspapers;
- Maintain or increase competitiveness of Canadian magazines and community newspapers;
- Maintain or increase the diversity (in subject-matter, size, targeted groups) of Canadian magazines and community newspapers.

Ultimate Outcomes

- Canadian artistic expressions and cultural content are created and accessible at home and abroad. (Aligned with PCH Strategic Objective 1, Program Alignment Architecture)

The expected results identified in the 2009 RMAF are:

Immediate results

- Industry associations build skills and knowledge and modernize the periodical industry infrastructure.
- Small and mid-sized periodicals pursue innovative business ideas and explore digital opportunities through business innovation projects.
- Canadian-owned periodical publishers build and maintain the capacity to develop new content.

Intermediate results

- The portion of the Canadian-owned periodical industry targeted by the Canada Periodical Fund is sustainable.
- A range of Canadian periodicals is created and produced (by type, language, region, etc.).
- Canadian periodicals supported by the Canada Periodical Fund are accessed in Canada.

Ultimate outcome

- Canadian artistic expressions and cultural content are created and accessible at home and abroad. (Aligned with PCH Strategic Objective 1, Program Activity Architecture)

2.3 Program Management, Governance, Target Groups, Key Stakeholders and Delivery Partners

The Director General of the Cultural Industries Branch in the Cultural Affairs sector of PCH is responsible for the program. Signing authority for grants and contributions from the Aid to Publishers formula component is delegated to the Director General because of the component's low risk profile, but signing authority for the program's two other project components rests with the Minister.

Most of the program's resources are dedicated, through the Aid to Publishers component, to grants and contributions to private-sector Canadian publishing enterprises. Non-profit organizations representing or related to the periodical industry are also eligible for funding through Collective Initiatives. The following summarizes each of these components and eligibility requirements for applicants seeking grants and contributions.

- **Aid to Publishers (ATP)** is the largest component of CPF with an approved budget of \$71.3 million annually to provide publishers of print magazines and community newspapers with access to funds for content creation, distribution, online activities, or business development. Special measures are also provided for official language minority (OLM), Aboriginal and ethnocultural periodicals to improve their access to ATP. Funds are distributed proportionally according to the number of eligible copies distributed by each recipient; with calculations adjusted according to circulation business model, circulation volume, and type and category of periodical.⁴
- **Business Innovation (BI)** has a budget of \$1.5 million annually for small and medium-sized publishers to encourage and support them in undertaking projects to help them grow and develop their business and support a diversity of content available to Canadians. The funds may be used for new technologies, digitization of content, professional training (especially on new technologies), business development tools, advertising, and events.⁵ Funds are allocated under two sub-components: 1) Print and 2) Digital. The digital sub-component includes a \$500,000 envelope that is reserved for projects that support the development of business plans, the addition of functionalities (e.g., RSS and mobile applications), and projects that will help increase readership and revenues related to advertising, subscriptions, events, and other revenue stream.
- **Collective Initiatives (CI)** has a budget of \$2 million annually for industry-wide projects designed to increase the overall health of the Canadian magazine and community newspaper industries. Eligible initiatives include: broad-based marketing and promotion plans; research into using new technologies to extend the reach of periodicals; and projects that address issues affecting the industry as a whole.⁶

2.4 Program Resources

In 2009, the CPF was approved by the Treasury Board of Canada for a total of \$336,992,270 for the years 2010-2011 through to 2014-2015, using funding repurposed from the existing reference levels of the PAP and the Canada Magazine Fund which ceased operations at the end of 2009-2010. New funding of \$15 million for 2010-2011 was also included, but this did not result in an increase in the funding available to recipients since it only replaced the same amount that Canada Post had previously provided to the budget of the PAP. Canada Post's financial support of magazines and newspapers ended with the end of the PAP in March 31, 2010. In the 2011 federal budget, the \$15 million was made permanent, starting in 2011-2012. Since 2010, the CPF has had a budget of just under \$80 million annually for operating costs, grants and contributions. (See Table F1, Appendix F.)

⁴ Department of Canadian Heritage. *Aid to Publishers: Applicant's Guide*. Online: <http://www.pch.gc.ca/eng/1289317991726/1313089558031>

⁵ Department of Canadian Heritage. *Business Innovation Applicant's Guide*. Online: <http://www.pch.gc.ca/eng/1279113698714>

⁶ Department of Canadian Heritage. *Collective Initiatives Applicant's Guide, 2014-2015*. Online: <http://www.pch.gc.ca/eng/1289318001860/1315400560616>

2.5 Program Changes Since Last Evaluation

The CPF is a simplified and streamlined version of the previous programs that provided direct financial support to the magazine and community newspaper industries – the Canada Magazine Fund and the PAP. Evaluations for these programs validated the need for continued federal support for the periodical industry because of systemic market conditions that favour foreign cultural content; however, recommendations were made to explore alternative program design models and improve program efficiency. Evaluations of the PAP and Canada Magazine Fund found that both programs were delivering results, but also pointed out opportunities for improvement in both program design and delivery. In addition, the PAP and the Canada Magazine Fund served many of the same clients, and having two separate programs resulted in duplication of time and work for both clients and the Department, as each program had separate deadlines, paperwork, and procedures. The programs were also complex to administer, involving three federal organizations: Canadian Heritage, Canada Post, and Canada Council for the Arts. Finally, the programs also needed updating to deal with the emergence of digital publishing. The design of the CPF approved by Treasury Board in 2009 addressed those recommendations and incorporated the views of industry stakeholders consulted on the proposed program changes.

The program also introduced significant changes from the previous programs concerning the calculations that determine the allocation of funds to each successful applicant of ATP. These were introduced in 2011, to be phased in over three years. One of the key changes was that financial support is now tied to the reading choices of Canadians or “wantedness”; the more copies a publication is able to sell or have directly requested, the greater it’s funding. Unlike PAP, which targeted funding specifically to reduce the cost of distribution, ATP funding could be allocated to any part of a publisher’s operation. The new calculation also provided small and medium-sized publications more funding per copy, while the largest publications would be capped at \$1.5 million.⁷ Two additional policy principles were adopted: 1) recognition of different realities for magazines and newspapers: therefore, magazines receive higher funding per copy; and 2) Continue to provide additional support for farm publications: therefore, farm publications receive a higher funding per copy than others of the same type, and farm publications are exempt from the \$1.5 million cap.

⁷ Department of Canadian Heritage. *Notices: Canada Periodical Fund - Aid to Publishers funding formula and payments*. Online: <http://www.pch.gc.ca/eng/1318949749487>

3. Evaluation Methodology

3.1 Evaluation Scope, Timing and Quality Control

The evaluation of the Canada Periodical Fund covers the period from 2010-11 through 2014-15 and addresses the core evaluation issues of relevance and performance, including effectiveness, efficiency and economy, in accordance with the Treasury Board Secretariat Directive of the Evaluation Policy approved in April 2009 (see Appendix D – TBS Core Evaluation Issues). The evaluation also looked at the program’s design and delivery, areas for improvement, and performance measurement systems.

The evaluation was led by the Evaluation Services Directorate (ESD) of the Department of Heritage, with components contributed by the Policy Research Group (PRG) and external consultants. The evaluation used a hybrid approach, whereby certain tasks were conducted in-house by ESD and other tasks were delegated to PRG and the external contractors.

The Terms of Reference for a Cultural Industries Cluster Evaluation, which included the Canada Periodical Fund, was approved in November 2012. A decision was made to complete the CPF evaluation separately in 2014-2015. The evaluation began anew in April 2014 and was completed in April 2015. This is the first evaluation of the program since it was introduced in 2009, significantly changed from the programs that preceded it.

3.2 Evaluation Questions by Issue Area

A detailed evaluation framework, organized by evaluation issue along with clarification of the methodologies to be used to address each issue, was developed to support the evaluation. (Refer to Appendix A, Evaluation Framework.)

3.3 Evaluation Methods

3.3.1 Lines of Evidence

The observations, findings and conclusions of the report are always based on more than one line of evidence, unless otherwise stated. The evaluation used the following data sources:

- **Literature review and review of industry statistical information:** The PCH Policy Research Group (PRG) was responsible for providing a review of pertinent literature to the evaluation working group. The contractor incorporated the results of this literature review into their analysis. This was supplemented with a separate review of industry statistical information, conducted by the contractor.
- **Document review and review of project files and administrative databases:** Documents reviewed included key governmental documents (e.g., Throne Speech and federal Budget extracts), departmental documents (Department Performance Reports, Reports on Plans and

Priorities), and program-related documents such as Terms and Conditions, and application forms. This was combined with a review of applicant databases for ATP, CI, and BI and summary reports generated from these; and a review of a sample of project files, which included contribution agreements, correspondence, and interim and final reports. The review of program databases and files constituted a key source of information in assessing program performance and the extent to which data collected yield information in support of results-based performance measurement practices.

- **Key informant interviews:** Two phases of interviews with a total of 32 key informants were conducted. The first round was conducted by ESD with PCH and program employees. The second round was conducted by the contractor with program beneficiaries and industry associations. One non-funded stakeholder was also interviewed by ESD. The contractor conducted the analysis and reporting for both phases of interviews. In this report, statements made about the views of key informants are usually reported when the majority share this view unless otherwise stated. When more details on the level of key informants that share this view are deemed necessary, the following terms are used:
 - Few is used when fewer than 20 percent of interviewees have responded with similar answers.
 - Some is used when 20 percent but fewer than 50 percent of interviewees responded with similar answers.
 - Many is used when 50 percent but fewer than 75 percent of interviewees responded with similar answers.
 - Most is used when 75 percent of interviewees or more responded with similar answers.
- **Case studies:** To assess the performance of the two project-based components of the CPF, the contractor undertook case studies of two BI projects and two CI projects. The component methodologies used were interviews, document review, and file review.
- **Survey of ATP and BI applicants:** ESD and PRG undertook an online survey with periodicals that applied for funding through ATP and BI. There were 545 respondents. The contractor conducted an analysis of the survey data compiled by PRG.⁸
- **Value-for-money analysis:** As part of the original Cultural Industries Cluster Evaluation, ESD contracted a contractor to conduct a value-for-money analysis to understand the efficiency and economy of the three programs. The analysis aimed to assess the program's resource utilization with regard to program delivery in relation to the achievement of outputs and looked at alternative approaches to achieve similar results. ESD undertook corrections and an update of the data and analysis for the Canada Periodical Fund.
- **Expert panel:** ESD conducted two expert panels with nine experts in the field of periodical publishing. These panels were used to validate the preliminary findings and to extend the analysis into conclusions and recommendations.

⁸ Email invitations were issued to 1,296 applicants representing 711 magazines, 532 non-daily newspapers, and 51 digital-only titles. The response rate was 42 per cent.

3.3.2 Methodological Limitations

Limitations were mitigated by the use of a multi-method approach to generate evidence on the evaluation questions from more than one line of enquiry and from different (internal and external) perspectives. These limitations include the following:

- **A lack of reliable statistical information on the wider industry.** Data on the community newspaper and magazine industries is somewhat sparse, particularly on the topic of profitability. What data exist often cover the early part of the evaluation timeframe, or earlier. Data by Statistics Canada is collected approximately every two years, with the most recent data on magazines published in 2011 and in 2012 for newspapers. (The program was notified that more recent data collected for magazines would not be released in time for the 2014 evaluation.) Experts also noted that data collected by industry organizations is subject to the voluntary sharing of information by industry members and therefore may be skewed.
- **The size of the program.** The size of the program and its scope is vast, with three different components targeting two broad stakeholder groups (publishers and industry organizations) and two distinct industries (magazines and community newspapers) with some clearly different business realities. Given the limits of this evaluation, much more research and analysis could be conducted on any of the program components, stakeholder groups, and industries. All three program components and the two industries have been considered throughout the evaluation. Where possible and appropriate, we discuss the findings in relation to a particular component or industry.
- **Differences in scale of lines of evidence.** The evaluation was calibrated to make as much use of available data as possible and to prioritize certain areas for new data collection. For example, an analysis of alternative delivery modes was initially planned but was scaled back in light of survey data collection needs. As a result, discussion of alternative modes of delivery relies mostly on the department's own documentation and interviews.
- **Partial data on funding recipients and outcomes.** For the period of 2014-2015, administrative data were not considered for the BI and CI components due to evaluation timelines. This was accounted for at the outset of the evaluation. Other data collected through surveys and key informant interviews provided some indication of the functioning of these two components in 2014-2015; however, it must be cautioned that the evaluation was conducted in 2014 and thus, results of activities in 2014 and 2015 are not reflected in the evaluation. There was limited information available to assess immediate results of ATP funding and long-term results of BI and CI funding; these limitations are discussed more in the related findings sections.

4. Findings - Relevance

This section of the report examines the legitimacy of the federal government's role in funding the periodical industry, assesses the alignment of the CPF with federal and PCH priorities and objectives, and identifies trends in the periodical publishing industry.

4.1 Core Issue 1: Continued Need for the Program

Evaluation Questions 1, 2, 3

To what extent is there a demonstrated need for the CPF:

- For magazine publishers?
- For community newspaper publishers?
- Organizations?
- For Canadians?

To what extent is the CPF responsive to the needs of:

- Magazine publishers?
- Community newspaper publishers?
- Canadians?

To what extent does the CPF respond to the particular needs of (e.g. need for funding and access to the program):

- Ethnocultural publishers?
- Aboriginal publishers?
- Official language minority publishers?

KEY FINDINGS

- The conditions and challenges under which the CPF was formed persist today, including a geographically dispersed population which makes distributing print periodicals costly, readers' easy access to American magazines, and U.S. publishers' competitive advantages that allow them to offer discounts to Canadian advertisers.
- A number of key indicators of financial health of the periodical industry dropped significantly after 2009, including advertising revenues (for both magazines and community newspapers), paid circulation (community newspapers), total circulation (magazines), profitability (magazines). The industry's systemic challenges were exacerbated by the global recession and the growing encroachment of Internet-based advertising.
- The industry is seen to play a culturally and economically significant role to Canada and Canadians, and warrants public support to create Canadian content and to sustain, through support to organizations, the periodical industry.
- Magazine and community newspaper publishers have mainly looked at ATP funding as a source to help them offset business or distribution costs and maintain or increase circulation, thereby increasing the sustainability of the publication. Applicants to BI have mainly looked to the component to support their efforts to increase their digital presence.
- The program directly supports a portion of the magazine and community newspaper industries. The criteria for ATP exclude a range of periodicals such as digital-only titles, free publications, periodicals with paid circulation under 5,000 (or under 2,500 for special groups), and newly-launched titles. Ethnocultural, Aboriginal, official language minority, and GLBT publishers have had some access to funding to support their titles, but a portion of these (the quantity of which is not known) are excluded from funding due to their characteristics, such as their size, circulation models, and amount of foreign content.

The CPF's three components are the latest incarnation in the federal government's long history of providing financial assistance to Canada's magazine and community newspaper industries. These industries have struggled with systemic challenges which persist today. Canada continues to be home to a relatively small population dispersed over a huge territory, thereby making it very expensive to distribute periodicals. Canada's "proximity to the world's largest English language cultural industry"⁹ has historically posed a challenge to Canadian periodicals, as US publishers benefit from economies of scales and other advantages which allow them to successfully compete against Canadian publications.¹⁰

Since the creation of the CPF, the magazine and community newspaper industries have remained in a tumultuous period characterized by economic decline. A number of key indicators of financial health of the periodical industry dropped significantly between 2008 and 2010, the period of the recent recession, including advertising revenues (for both magazines and community newspapers), paid circulation (community newspapers), total circulation (magazines), and profitability (magazines). Growth in consumer and trade magazine titles stagnated after declining immediately after the recession. For community newspapers, the industry fared reasonably well during the recession in terms of new titles and total circulation, but from 2011 to 2013 these figures showed stagnation and some decline. Community newspapers' share of total advertising dollars remained virtually unchanged between 2003 and 2012 despite a greater proportion of free newspapers in 2014 which, as they rely solely on advertising dollars to operate, means less ad revenue overall per newspaper.

In light of this situation, the evaluation found strong consensus among industry stakeholders and experts that federal support to magazines and community newspapers is vital. Aside from aforementioned challenges in the industry, key informants and experts noted that periodicals face significant challenges from sharply rising Canada Post rates and printing costs; high up-front costs for transitioning to digital platforms (and maintaining both print and on-line business models); limited foreign market growth opportunities (for Canadian content); increased competition for consumers' leisure time and dollars; and bias, among advertising firms, favouring US publications or online platforms (including Facebook and Google). Many key informants concurred that the need for federal support is likely greater today than at any other time in the industry's history. The influx of federal funding to the industry is viewed by these interviewees as fundamentally necessary for publishers to maintain their operations and also to foster the industry's capacity to grow and adapt.

Evidence obtained from interviews and documentation demonstrates that Canadians have a desire to read Canadian content, particularly local content in local newspapers. A 2012 Quorus study showed that 80 per cent of Canadians agreed that reading Canadian magazines fosters appreciation for Canadian culture. Further, Canadians indicate that they depend on their local community newspaper to get news and information about their community.¹¹ These sources also

⁹ Holland, Elizabeth Gidney, *Understanding the Canadian Small-Magazine Landscape: Mapping a Route to Viability for Spacing*, p. 4.

¹⁰ Christopher Dornan, *Of Crows and Finches, Making Sense of Canadian Media in the Digital Age*, p. 70.

¹¹ Le groupe-conseil Quorus *Canadian Books, Film, Periodicals and Music Opinion Survey: Executive Summary. POR-090-11.*

indicate that magazines and community newspapers have an important place in the economy, in the creative ecosystem, and in shaping a Canadian identity.

The CPF responds to the needs of the industry and Canadians' desire to read Canadian content by providing direct financial support through grants and contributions to private sector Canadian publishing enterprises. Non-profit magazine and community newspaper publishers' organizations also receive funding to undertake initiatives to improve the health and sustainability of the industry. Key informants commented that the majority of CPF funding can be applied anywhere, including operating costs, digital ventures, marketing, and more. The survey of applicants to ATP shows that applicants find the program relevant to helping meet their businesses' operational needs. The predominant reasons why magazine and community newspaper publishers applied for ATP funding over the period of the evaluation, according to more than 60 per cent of survey respondents, were to maintain or increase circulation, to increase sustainability of the publication, and to offset business or distribution costs. More than eight in ten funding recipients surveyed (84 per cent of magazines and 82 per cent of community newspapers) strongly agree that they were able to apply ATP funding to their greatest area of need.

The program's direct reach is not industry-wide. While it is evidently a vital fund to some publications, the largest component of the CPF does not directly fund digital-only titles, free publications, and those that distribute primarily through sponsored copies. Industry stakeholders and experts noted that the fund has limited ability to meet the needs of very small publications and newly-launched titles given the current minimum paid circulation criteria and the requirement that their title be in operation for one uninterrupted 12-month publishing cycle. Evidence also indicates that, in its current design, the program may be better suited to assist the magazine industry than the community newspaper industry. It seems to be that, even more so than magazines, many community newspapers are ineligible for funding because they cater to niche, geographically defined populations and are therefore unable to meet the minimum circulation thresholds and/or because they use free circulation models. Although this has been partially alleviated by modified eligibility criteria for Aboriginal, ethnocultural and official language minority publications, evidence indicates that at least some newspapers still struggle to meet the funding requirements.

In interviews, there was also a strong view from representatives of ethnocultural, official language minority, arts and literary publications, as well as a few industry organizations, that the CPF is less responsive to their needs than to the needs of larger, mainstream periodicals.¹² These organizations also appear to be less well served by the CPF relative to the previous PAP and Canada Magazine Fund. The main reasons for this are due to the small circulation of periodicals catering to niche markets, which makes some periodicals ineligible for ATP funding despite relaxed eligibility criteria; and some of these publications access their readership through distribution models other than the paid/direct request print model on which the ATP formula is calculated. Although in the applicant survey more than three-quarters of publishers with targeted ethnocultural, Aboriginal, official language minority, and/or GLBT audiences said they had sufficient access to ATP funding (77 per cent), these represent only those periodicals that have

¹² Official language minority periodicals are discussed more in response to Evaluation Question 17.

applied for ATP funding. Qualitative evidence from some key informants, including representatives of associations that work directly with these types of publishers, suggests that many of these types of publishers would not bother to apply at all given the eligibility criteria and would therefore be excluded from these survey results. However, it should be noted that the evaluation found no quantitative evidence to demonstrate the importance this issue. As well, some small publishers may not feel that they have the time and/or knowledge to submit a successful application for ATP or BI funding.

Evaluation Questions 4 and 5

Is the program's rationale and guidelines still valid in light of the current context of the Canadian magazine and community newspaper industries?

To what extent has digital technology affected the needs of publishers and Canadians?

KEY FINDINGS

- The rationale upon which the CPF was created is still valid. The need for support may be even greater today given the transition to digital production, increased competition for advertising revenue, and decreasing readership.
- Evidence indicates that the program's guidelines, including eligibility criteria and the basis for formula funding (i.e., print circulation), may be increasingly incongruent with the shifting realities of the industry, particularly the trends enabled by digital technology (e.g., digital publishing and readership).
- Digital technology is the driving force behind many of the changes that have already emerged and continue to evolve in the industry, and has profound implications for revenue streams, production, readership, distribution, and business models.

The CPF was created in response to recommendations from evaluations of its predecessor programs (Canada Magazine Fund and PAP)¹³, in response to the withdrawal of Canada Post's involvement in providing subsidies to periodicals under PAP, and in recognition of a need to address the implications of the trend toward digital publishing. The CPF is founded on the rationale that the magazine and community newspaper industries provide cultural and economic benefits to Canada that warrants public support to create diverse Canadian content and to sustain the periodical industry. Section 23 of the Treasury Board submission for CPF (January 2010) states that, "Without the assistance of the government, publishers would not be able to maintain sufficient levels of Canadian content, which would represent a loss for all Canadians." During the program design phase, a consultation discussion paper identified the rationale for the federal government to support Canadian periodicals as follows:¹⁴

- Canadian magazines serve an important cultural and social objective to link us together as citizens, consumers, and creators;

¹³ The CPF was designed and honed through consultations conducted with the industry. A transitional approach was used to implement the program, softening the transition for funding recipients under the previous programs. 2010-11 was a transitional year for CPF, where clients who had been funded the previous year through PAP were guaranteed a minimum amount of funding for 2010-11, while their eligibility and funding going forward would be determined based on the new criteria and funding formula.

¹⁴ Department of Canadian Heritage. Highlights from the Consultations on Redesigning Federal Programs for the Periodical Industry.

- Canadian magazines face strong competition from US magazines who benefit from economies of scale and lower costs because they can reuse their content for the English-speaking Canadian market. Government support helps Canadian publishers to overcome these market disadvantages, and continue to produce high levels of Canadian content; and
- Community newspapers connect local communities and support local economies, and to help ensure that they are accessible to Canadian readers.

Most experts and many key informants agree that magazines and community newspapers would suffer without the support of the federal government, which would in turn make it difficult or impossible for them to deliver Canadian content given the fierce competition from online content, coupled with the sharply rising costs they face.

Evidence from industry statistics, literature, key informants, and experts shows that the dominant trend in the periodical industry right now is the transition to digital production and distribution of content, though there is some debate about the pace of change. The explosion of digital has produced opportunities, as well as challenges for the periodical industry. As for opportunities, digital technology has introduced new ways for readers to discover and interact with periodicals (e.g., applications and digital storefronts) and new opportunities for advertising across multiple digital platforms. But digital has also brought new challenges to the periodical industry's two major sources of revenue, advertising and circulation, and has added the pressure to keep up with the changing technology. Briefly, the main threats of digital to the periodical industry are:

- **Loss of advertising:** Internet advertising in Canada more than doubled from 2008 to 2013, a pace of growth which may have been underestimated at the time the CPF was created. The advertising revenues of most traditional media have fallen or stagnated since the recession and continue to shrink, and interviewees confirmed that loss of advertising revenues has had a negative impact on their operations;
- **Loss of print circulation:** Statistics show that the magazine industry is experiencing diminishing numbers of print readers. Print periodicals face competition from a wide array of publications that are available digitally, often for free and from other countries. This is a particular concern for ethnocultural community newspapers, whose readers may be turning to content produced in source countries, produced in real time, and available for free. There is some hope that the loss of print readers can be recouped through digital readership, but experts warn that this may be a long way off, as the industry continues to struggle with finding ways to make money from digital. Sales of digital magazines were a relatively small portion of the total Canadian circulation market in 2013 (6.1 per cent) (unaudited figures) and although one source expected these figures to more than double by 2017¹⁵, a few experts warn that digital readership is showing signs of stagnating and even decline in the book industry, which may bode poorly for periodicals also. Periodicals that have found their place in the digital realm struggle to maintain a loyal readership against the stiff competition of online aggregators (e.g., Google News), that harvest relevant content from digital sources, present it in highly customized ways to an attentive audience, and generate advertising

¹⁵ PwC, Canada: Consumer magazine publishing: Circulation. Cited in OMDC Industry Profile: Magazine Publishing, p.6.

revenues of their own without offering financial compensation to the original content producers; and¹⁶

- **Transitioning to digital distribution:** Transitioning to digital brings costs to infrastructure and human resources (e.g., hiring and training staff), although a few key informants remarked that the extent of these costs is not fully known.

The CPF remains relevant even with the mounting pressures of digital trends, and the three component approach is helping the industry to adapt to digital trends. Through ATP, publishers have financial support that is flexible enough to be allocated to digital or other activities. Through BI, innovative projects that deliver new solutions to business problems are funded, which can include projects that directly address digital issues; indeed, 72 per cent of survey respondents that applied to BI did so in order to access funding to help them increase their digital presence. Through CI, industry-wide initiatives are funded which address the industry's capacity needs related to digital.

Though the rationale for the program is strong, key informants, survey respondents, and experts point to a need for the program to reflect the established importance of digital publishing and distribution – most notably, that the program needs to take into consideration digital readership in establishing a periodical's circulation figures. This sentiment is particularly strong for magazines: 62 per cent of representatives of magazine titles feel that digital copies should be counted in the calculation of formula funding. The sentiment toward this issue is less clear among representatives of newspapers, although still two in five (41 per cent) survey respondents feel digital copies should be considered in the formula funding.

4.2 Core Issue 2: Alignment with Government Priorities

Evaluation Question 6

To what extent are the CPF's objectives and expected results aligned with:

- (i) federal government priorities?
- (ii) PCH strategic outcomes?

KEY FINDINGS

- The CPF is aligned with the Whole-of-Government Framework, within the Social Affairs spending area, which outlines support for initiatives that result in a vibrant Canadian culture and heritage.
- The program is aligned with the Department of Canadian Heritage's Strategic Outcome 1: "Canadian artistic expressions and cultural content are created and accessible at home and abroad".

The CPF was announced in the 2011 Budget, as part of Canada's Economic Action Plan to include additional support for culture and communities. Funding for the CPF is aligned with the Whole-of-Government Framework, within the Social Affairs spending area, resulting in a vibrant Canadian culture and heritage.¹⁷ According to the 2014-2015 Departmental Program Activity

¹⁶ Christopher Dornan, *Of Crows and Finches, Making Sense of Canadian Media in the Digital Age*, p. 63.

¹⁷ Treasury Board of Canada Secretariat. *Whole-of-Government framework*.

Architecture (PAA) the CPF is aligned with the Department of Canadian Heritage’s Strategic Outcome 1: “Canadian artistic expressions and cultural content are created and accessible at home and abroad”. This speaks to the creative and economic importance of the continued existence and public availability of Canadian cultural products, artistic work by Canadian creators and Canada’s cultural heritage. The CPF is identified under Program Activity 2: Cultural Industries, 2.7: Canada Periodical Fund¹⁸.

The CPF supports federal government priorities as demonstrated through alignment with legislative acts, including:

- Section 19 of the *Income Tax Act*, identifying requirements for Canadian ownership of newspapers¹⁹, and full tax deductions for advertisers in magazines containing at least 80 per cent Canadian-content;
- *Foreign Publishers Advertising Services Act*²⁰ (FPASA), limiting Canadian advertising in foreign magazines; and
- *Investment Canada Act*²¹, requiring foreign investors in Canadian publications to potentially demonstrate a “net benefit to Canada”.

4.3 Core Issue 3: Alignment with Federal Roles and Responsibilities

Evaluation Question 7

Is the delivery of these programs an appropriate role or responsibility for the federal government?

KEY FINDINGS

- The delivery of the CPF is an appropriate role for the federal government, notably due to the scale of the program, the capacity of the federal government to deliver the program, the interest in fostering Canadian content, the national scope of many periodicals, particularly magazines, and the historical role that the federal government has played in ensuring the health of a Canadian periodical industry.

Most interview respondents, notably both PCH staff and external stakeholders, indicate that the delivery of the CPF is an appropriate role for the federal government, largely because of the scale of the program, the capacity of the federal government to deliver the program, the interest in fostering Canadian content, and the national scope of many magazines. Most external stakeholders feel that the federal government has a legitimate and critical role in the Canadian magazine and community newspaper industry. They see this role as consistent with promoting Canadian culture, social cohesion, and quality of life.

¹⁸ Department of Canadian Heritage. Report on Plans and Priorities. 2014-15.

¹⁹ Government of Canada. *Income Tax Act*.

²⁰ Government of Canada. *Foreign Publishers Advertising Services Act*

²¹ Government of Canada. Investment Canada Regulations.

Federal government intervention in the newspaper and magazine industries has a long history in Canada. Scholars have justified the federal government's role in the industry because "[periodical publishing] typically constitutes a national medium reaching out to all citizens to convey common ideas, a national awareness, even a sense of identity."²² Government interventions have included lower mailing rates for periodicals (1849 *Post Office Act*); import duties on US magazine (1931-1935); taxes on advertising contained in Canadian editions of foreign periodicals (1957); and, of course, the direct assistance of the Canada Magazine Fund and the postal subsidies of the PAP in the 2000s. Justification for a federal role in the industry has also been declared in a major Royal Commission and an industry task force. The 1961 Royal Commission on Publications²³ declared that "it has been recognized that government intervention is a necessity, or Canadian magazines will simply not exist in sufficient quality, numbers, or diversity," and later, the 1994 Report of the Task Force on the Canadian Magazine Industry: A Question of Balance declared that "if left to market forces alone, a day could arrive when Canadians would no longer enjoy the choice that they have between foreign cultural products and those developed for the Canadian market. There simply would be no Canadian product because of the relatively small size and vulnerability of our cultural industries."²⁴

²² Paul Rutherford, *The Making of the Canadian Media*; cited in Paul Audley, *Periodicals as a Cultural Industry: Conceptual Background*.

²³ Cited in Connectus Consulting Inc. *The Transformations in Value Chains in the Canadian Arts and Cultural Industries*.

²⁴ Cited in Paul Audley, *Periodicals as a Cultural Industry: Conceptual Background*.

5. Findings – Performance

The following sections present the major evaluation findings related to the program’s performance: effectiveness and efficiency and economy.

5.1 Core Issue 4: Achievement of Expected Outcomes

5.1.1 Achievement of Immediate Outcomes

Evaluation Question 11

To what extent the CPF helped lower business costs for Canadian magazines and community newspapers?

Are there editors/potential recipients that the program is not reaching? If so, who are they?

KEY FINDINGS

- Evidence indicates the program has been successful in helping recipients offset their business costs by providing a substantial, and sometimes vital, amount of funding. Recipients can apply ATP funding to almost any area of their business. Some use this funding to help lower existing costs, while others use the funding to undertake activities they otherwise would not.
- Business costs have been increasing in a number of areas, especially related to web/digital and marketing (for magazines) and printing and distribution (for both magazines and community newspapers). ATP funding has been critical to helping publishers offset rising costs in these areas.
- ATP and CI are well-known to those in the industry that are eligible. BI seems to be less well-known and may be underutilized. There are many potential recipients in the periodical industry that ATP is not currently reaching due to the component’s design (see findings under Relevance for full discussion).

The CPF has a significant impact on the periodicals it has supported through ATP. According to industry representatives and a number of experts, funding from ATP helps some publishers to survive at a time when many have begun to grapple with the challenges of operating in the digital world. This adaptation results in increased costs in terms of technology, human resources, content, and marketing, particularly for magazine publishers, who are under greater pressure than community newspapers to digitize. Moreover, the challenges posed by the Internet to traditional business models come at a time of declining paid circulation and advertising revenues, as well as on the heels of a massive recession. Documentation on the program and interviews with PCH staff and ATP recipients demonstrate that ATP funding is applied to any range of operational costs, such as salaries, digital publishing, marketing, distribution, printing, software and technology, and more, helping these organizations to do more than they could without the funding.

Interviews and program documentation indicate that for some publishers, including many smaller organizations, the amount of ATP funding they receive can be significant compared to their revenues. This ratio, coupled with very slim profit margins, means that the funds can be the difference between folding and staying in business. The BI and CI components also help

publishers adapt to the changing market, mainly through funding innovative activities and professional development/training opportunities.

Evidence from documentation and interviews indicates that ATP funding is considerably more flexible than funding under the preceding program, PAP. While PAP was focused specifically on reducing the cost of distribution, ATP recipients may apply their funding to a number of potential areas within their operations. In the post-PAP era, publishers and industry representatives are more likely to view the fund as “offsetting” costs or adding to their top line revenue, as opposed to reducing the cost of distribution. This is made clear by the overall increases in costs in periodical publishing reported. Survey data show that some business costs are increasing: many ATP recipients have experienced an increase of six per cent or more in their website/digital publishing costs (66 per cent of respondents) and marketing costs (53 per cent of respondents) since the year when they first applied for funding. Some magazines who received ATP (42 to 46 per cent) also indicated that editorial costs and distribution costs have increased over the time since they first applied. Web/digital and marketing costs have not been quite so stark for community newspapers, according to survey results. Unlike magazines, majorities of respondents for newspapers said that these business costs have remained within plus or minus five per cent. Editorial costs have also remained within this range for a majority. Where newspapers have seen a marked increase in costs is related to distribution: nearly six in ten (59 per cent) say distribution costs have increased by six per cent or more since they first applied to ATP. While the differences between lowering costs and offsetting cost may be largely semantic, it is worth noting that as an indicator or outcome, reduced or declining business costs can be incompatible with business expansion.

The question of the program’s reach has two dimensions: 1) Are there any publishers who would qualify to receive funding from one or more components, but who are not applying? And, 2) are there swaths of the industry who are not benefiting from the program because they cannot meet the criteria? The latter question is addressed elsewhere in this report.²⁵ In terms of the first question, interviews with industry organizations and PCH officials suggest that the ATP and CI programs are well-known to those who are eligible. However, ATP uptake has declined 16 per cent over the life of the CPF (see table 5.2, Appendix F), with some industry representatives noting that the cost of purchasing a circulation audit discourages some smaller publishers from applying. Program staff note that there is a high acceptance rate for applicants to ATP; in 2013-2014, 821 out of 906 ATP applicants received support under the program (see tables 5.2 and 5.4a). BI is less well-known, and the high rate of rejections under BI during its initial period, coupled with the administrative burden imposed on potential recipients, suggests that the component may be underutilized.²⁶

²⁵ Refer to findings for Evaluation Questions 8, 9, and 12.

²⁶ This is discussed further in relation to Evaluation Questions 12 and 19.

Evaluation Question 12

To what extent has the CPF contributed to innovation and business development in small and medium-sized magazines? Do the current reporting methods for BI allow for long-term results to be identified? If not, what reporting requirements would better serve the program in telling the results story?

KEY FINDINGS

- Business Innovation has contributed to innovation and business development in small and medium-sized magazines by funding 210 projects, mainly with magazines offering both print and digital editions, from 2010-11 to 2013-14. These organizations were largely successful in carrying out projects to increase their periodicals' circulation, advertising revenue or visibility; to support business and professional development; and/or to strengthen their financial viability. File review and a case study showed that some projects produced results that are sustainable by the publications.
- BI funding helped recipients to achieve outcomes such as increasing their digital presence and digital advertising revenues, developing skills and building knowledge, hiring staff, and increasing their capacity for business development and innovation.
- There is no systematic reporting on BI results beyond those gathered at the immediate conclusion of funded projects, making it difficult to discern long-term outcomes of this component.
- There is desire for greater support through BI, including greater funding amounts, in order to be able to undertake truly innovative projects with long-term results.

Through the BI component, the CPF contributes to innovation and business development activities in small and medium-sized magazines. Total BI funding is quite small relative to the CPF overall, with less than \$1.5 million approved annually for maximum contributions of \$25,000 per project per year. Between 2010-11 and 2013-14, an average of 82 applications was received each year under BI. A total of 210 projects received funding over those years, most of which were undertaken by publications with both print and digital editions but some of which were with digital-only publishers; BI projects have supported a variety of activities to strengthen the financial viability of periodicals, to support innovation and the use of new technologies, and to increase periodicals' access to markets.

According to BI recipients surveyed, the most prevalent impact of BI is on recipients' ability to enhance their digital presence. The other most common impacts are also immediate outcomes (e.g., skills and knowledge building). The extent to which BI funding has led to intermediate impacts in terms of increased revenue generation and enhanced profitability is more limited. For example, about half of the magazine publishers who responded to the survey linked their increased digital presence directly to BI, whereas only about one-quarter reported an increase in digital advertising revenues and tied it to BI. Other outcomes that were evident from the projects that were reviewed as part of this evaluation include new partnerships, increased subscribers, increased print sales, increased ad revenues, increased online engagement, and adoption of operational efficiencies. A review of files showed that projects were successful at achieving some or all of their anticipated short-term results, and case studies revealed that some of the projects undertaken produced results that are sustainable by the publication.

The total number of applications received under BI rose steadily from 73 in 2010-11 to 96 in 2012-13, but then declined to 71 in 2013-14. The component has seen a growing number of first-time applicants which may be attributed in part to the program's efforts to increase awareness of the component within the industry. Nonetheless, it was pointed out by a few interviewees that because a large number of projects were rejected under BI early on, potential applicants may have been discouraged from reapplying in subsequent years. One PCH interviewee said that an analysis of data on BI applicants showed that those who have been rejected BI funding tend not to reapply, even if they meet the eligibility criteria, and suggested that rejected applicants may also discourage other titles from applying. (This is discussed further in the discussion of findings for EQ19.)

Evidence from a few key informant interviews, the survey of BI applicants, and two case studies also indicates that there may be some burden to publishers due to what was described as an onerous and challenging application process. Among magazines surveyed who were aware of BI funding and potentially eligible, the main reason for not applying was due to the application process being too onerous or costly.²⁷ Survey and interview respondents indicated issues like having to revise their applications several times due to missing or incorrect information and being asked to provide information they did not have (e.g., financial audits) or that did not best demonstrate their business model (e.g., number of paid copies). Suggestions for improvements that were offered include simplifying the information needed, having the application process span stages where a first stage solicits very basic information to determine the likelihood of their project being approved, and having flexibility in application requirements to understand why certain information is needed or to be able to provide alternate information.

A further issue remarked upon in a few staff interviews is the restriction of BI funding to established periodicals. It was suggested that BI could extend its reach by expanding the eligibility criteria to include new periodicals, which would provide crucial support to periodicals in their vulnerable start-up years and would be well aligned with the Program's objectives of increasing competitiveness and diversity in the industry. These respondents felt this may also result in a greater variety of innovative projects.

Currently, the reporting information that the Program gathers from BI recipients pertains to activities and immediate impacts; there is no systematic collection of information on longer term results. The application process and reporting requirements are perceived by recipients and some PCH officials as quite demanding relative to the value of BI funding, and a few key informants feel that the current funding level at \$25,000 is insufficient to warrant additional reporting requirements.

²⁷ 10 per cent of magazine applicants responding to the survey said applying was too costly or onerous. This follows behind the proportions of applicants whose answers indicated that they were not eligible (36 per cent), did not have a project that was eligible (21 per cent), or were not aware of the funding (23 per cent).

Evaluation Question 13

To what extent has the CPF contributed to the overall sustainability of the magazine and community newspaper industries through collective projects? Do the current reporting methods for CI allow for long-term results to be identified? If not, what reporting requirements would better serve the program in telling the results story?

KEY FINDINGS

- The CI component functions well, but it is difficult to assess the long-term contribution the component is making to the sustainability of the magazine and community newspaper industries. CI funded a total of 94 projects between 2010-11 and 2013-14, allocating over \$6 million to collective projects. Industry organizations, representing national, regional, and provincial industry interests, undertook a variety of activities to support the sustainability of magazines and community newspapers, including marketing, professional development, research, and support for new technologies.
- Key impacts of this component are described as making contributions to professional development, fostering intra-industry cooperation, and helping organizations and their members adapt to the digital world. Collective Initiatives funding was a significant factor in these projects being undertaken.

Collective Initiatives provides project-based funding to organizations offering industry-wide projects designed to increase the overall sustainability of the Canadian magazine and community newspaper industries. Eligible initiatives include broad-based marketing plans, professional development, research into new technologies and projects that tackle systemic issues affecting the industry. National organizations like Magazines Canada, Canadian Community Newspapers Association, and the National Ethnic Press and Media Council of Canada apply to and have received funding through CI. Provincial and regional organizations that have received CI funding include Alberta Magazine Publishers' Association (AMPA), B.C. Association of Magazine Publishers (BCAMP), Association québécoise des éditeurs de magazines (AQEM), Manitoba Magazine Publishers' Association (MMPA), and Western Magazine Awards Foundation (WMAF).

CI funding can be put toward a variety of activities that serve an organization's members and help to build capacity or address needs in the periodical industry: marketing and promotions; conferences; new technologies; training, guides, documents, and tools; bursaries/awards; and strategic planning and research. Within these activities, a variety of expenses are eligible, including salaries/benefits of employees directly related to the project, professional/consultant fees, mailing/distribution costs, costs of producing documents, creation and update of websites, data entry and analysis, specialized software, etc. The CI component appears to function well and projects have achieved their intended immediate outcomes. CI funded a total of 94 projects between 2010-11 and 2013-14, allocating over \$6 million to collective projects. Specific projects that were funded include:

- Measuring the amount of advertising revenue that community newspaper association members generate. This information was used to show potential advertisers "how big" advertising is in community newspapers, and thereby elevate their profile and enhance their credibility in the eyes of large ad buyers;
- Purchase of customized subscription management software;

- Conducting promotion and marketing campaigns;
- Conducting member surveys;
- Developing and holding professional development/training sessions;
- Developing/enhancing digital platforms; and
- Creation of a digital newsstand.

Representatives from industry organizations who were interviewed (representing large segments of the periodical industry) spoke highly of their personal experience with the component. In their view, CI has made a significant contribution to the sustainability of their industry and enabled industry organizations to provide added value to their members, thus contributing directly to the sustainability of these organizations. Interviewees also indicate that their projects would not have happened without CI funding or would not have been conducted to the same scale, given these industry organizations are very small and operate on very tight (and shrinking) budgets. There is also evidence of longer-term impacts from both the case studies and the interviews, such as burgeoning networks; increased membership in professional organizations; increased visibility of the industry organizations; greater capacity for publishers to grow their brands; and greater capacity to adjust to industry changes/challenges. Some interview respondents and experts urged that more support for industry-wide projects is needed. A case study conducted of one project, Community Media Canada undertaken by the Quebec Community Newspapers Association in 2010-11 and 2011-12, illustrated that the loss of funding by non-federal players (i.e., member organizations) resulted in the discontinuation of project activities. This may suggest that strategic and sustained support is critical to achieving long-term results from the type of projects that Collective Initiatives supports, and further highlights the relevance of federal assistance to this industry.

As with BI, the Program does not collect information on longer-term impacts from CI recipients after the final funding instalment is provided.

5.1.2 Achievement of Intermediate Outcomes

Evaluation Question 8

To what extent has the CPF helped maintain or increase diversity (in subject-matter, size, targeted groups) of Canadian magazines and community newspapers?

KEY FINDINGS (ATP only)

- There is somewhat conflicting evidence about the role that CPF has played in maintaining or increasing the diversity of Canadian magazines and community newspapers. On the one hand, qualitative evidence indicates that ATP funding has been essential to the survival of some community newspapers and magazines. The survival of these periodicals, in turn, helps to maintain diversity on a number of levels, including subject-matter, size and target groups. Most stakeholders agree that in the absence of the CPF, the Canadian periodical industry would struggle even more and there would be significantly fewer Canadian publications and less subject-matter diversity.
- On the other hand, evidence illuminates some incompatibility between the desired outcome of diversity in the marketplace and the formula-based approach of ATP, which rewards wantedness (sales or requests). Notably, this approach does not include explicit targets for diversity, such as quotas for certain types of periodicals; the diversity of recipients in the program hinges on the types of periodicals that apply. Furthermore, the eligibility criteria inevitably limit some periodicals from receiving funding, notably those that succeed best under alternate distribution models, and magazines that maintain small print circulation figures, among which there are Aboriginal, ethnocultural, official language minority, and GLBT titles. Evidence shows that most ATP funding has been delivered to periodicals of a certain type: print consumer magazines published in English and based in central Canada that have a substantial paying readership; and general interest, English-language print community newspapers that do similarly well with the paid circulation model.

Evidence from the survey of applicants, interviews, and discussions with experts indicates that CPF, mainly through the ATP, has contributed to the survival of some community newspapers and magazines. The survival of these periodicals, in turn, helps to maintain diversity on a number of levels, including subject-matter, size and target groups. The evidence also suggests that the impact of the CPF on the survival of publications is felt most by smaller magazine and community newspapers that qualify for funding, many of which serve niche markets and small, sometimes isolated, communities. Canada's largest publications tend to cater to a broad mainstream audience, while the smaller publications tend to cover topics that are specialized. Therefore it is reasonable to assume that it is the survival of the smaller publications that allows Canada to maintain a diverse periodical industry.

In the absence of the CPF, most external stakeholders indicate the Canadian periodical industry would struggle even more, leading to significantly fewer Canadian publications and less subject-matter diversity. They report that many community newspapers and magazines are fragile and operate on very lean budgets. A few say that if community newspapers and niche market magazines begin to close, there would be notably less diversity of Canadian periodicals. Additionally, if the larger publishers were unable to compete, Canadians would lose access to magazines that have been prominent in Canadian culture for generations.

Despite this positive view of the CPF, administrative data as well as some interviews and consultations with experts illuminate some tension between the desired outcome of diversity in

the marketplace and the formula-based approach of ATP, which rewards “wantedness.” Notably, this approach does not include explicit targets for diversity, such as quotas for certain types of periodicals; the diversity of recipients in the program hinges on the types of periodicals that apply. The evidence makes it difficult to ascertain the extent to which the program has impacted diversity in the industry. The formula-based approach (which is based on the principle of “wantedness” derived from payment for print copies and copies directly requested) naturally provides the most funding to the largest publications.

On the basis of periodical size, publications with the largest paid print circulation have obtained the largest share of ATP funding. More than 50 per cent of ATP magazine funding went to the largest seven per cent of recipients, while the smallest magazines, 32 per cent of recipients, received less than five per cent of ATP funding. This discrepancy is somewhat less stark for community newspapers but still is apparent: the largest two per cent of ATP recipients received one-third of ATP funding, while the smallest recipients comprised 23 to 28 per cent of titles but just four to seven per cent of funding.²⁸ Evidence indicates that the support these smaller titles receive from ATP represents a greater proportion of their operating costs, and in practice, the formula funding gives greater weight to these smaller publications and other targeted groups. In addition, with the exception of Farm Periodicals, there is a limit on the maximum annual amount publications can receive (\$1.5 million). Small periodicals therefore receive more funding per copy than large periodicals. Still, the majority of magazine funding and a large proportion of community newspaper funding go to the largest periodicals, and this has been noticed by stakeholders: a few key informants complained that large multimedia corporations receive the bulk of ATP funding.

Further, when looking at diversity by other factors, the administrative data show that over 80 per cent of magazines funded through ATP are based in Ontario and Quebec. When looking at the types of periodicals that are funded, ATP supported more consumer magazines than any other type: from 2011-12 to 2013-14 between 41 and 45 per cent were special interest consumer and 22 to 24 per cent were general interest. Trade/business, religious, scholarly, farm, and arts and literary magazines are among the minority. While these proportions may be representative of the proportions of revenue generated by these types of magazines and these locations²⁹, it is unclear how this approach is contributing to diversity in the industry. Information from interviews, experts, and industry data suggest this approach leaves out an array of magazines being distributed through alternative circulation models, which are common in the Prairies and the Atlantic provinces³⁰, and among which include a variety of magazines serving niche interests and producing diverse Canadian content.

²⁸ The largest seven per cent have circulation of more than one million funded copies; the smallest magazines have circulations 25,000 or fewer funded copies. The largest newspapers have circulations of more than one million funded copies; the smallest 23 to 28 per cent have 50,000 or fewer funded copies (but at least 2,500).

²⁹ Statistics Canada. *Table 361-0010 - Periodical publishers, summary statistics, by North American Industry Classification System (NAICS), annual (dollars unless otherwise noted), CANSIM (database).*

³⁰ See Statistics Canada, Service Bulletin, Periodical Publishing Catalogue no. 87F0005X, 2011. Over 70 per cent of copies distributed in the Prairies (Manitoba, Saskatchewan, Alberta) and Atlantic (Prince Edward Island, Newfoundland and Labrador, Nova Scotia, New Brunswick) were through controlled circulation or complimentary/non-paid means.

There is somewhat more diversity among community newspapers. Regional concentration is less apparent for community newspapers, which are often centred around individual communities. Although the vast majority of community newspapers funded by ATP (89 to 90 per cent) were general interest consumer publications, other lines of evidence show that many of these publications offer highly tailored local content. There has been a higher proportion of Aboriginal, ethnocultural, and official-language minority publications funded as newspapers compared to magazines: from 2010-11 to 2013-14, newspapers serving these groups made up 18 to 23 per cent of ATP-funded newspapers. This is compared to four to seven per cent of ATP-funded magazines that serve Aboriginal, ethnocultural, official language minority, or GLBT readers. However, some interviewees pointed out that some ethnocultural and official language minority community newspapers do not qualify for funding because of their circulation model. Just seven per cent of community newspapers funded are in French and one per cent is published in a language other than English or French. This is compared to magazines, where about three in ten are in French, and still very few other language magazines receive funding (fewer than one in 20). It is also important to note that the proportion of community newspaper copies that are circulated based on a paid copy business model appears to be shrinking over time, comprising 6.3 per cent of all community newspaper copies circulated in 2011, and declining to 4.3 per cent in 2014.³¹

The ability of the CPF to contribute to maintaining diversity over time may become more limited. The number of titles receiving ATP funding is diminishing (declining about 11 per cent over four years), as is the number of first-time recipients. The program has a set target of funding 960 titles³²; this target was not achieved in any of the four fiscal years. Interviews with those in the industry suggest that after the 2010-11 transition year (when those who were funded under PAP were guaranteed funding under ATP for one year) some periodicals were unable to meet the new criteria of ATP. It was indicated by some interviewees that loss of federal funding led to the closure of some periodicals. This evidence may account for the declining number of titles supported by the program. Some interview respondents also noted that the program does not provide an immediately accessible source of funding to new publications, as recipients are required to have been in operation for two years prior to being eligible. This may be hindering the objective of increasing diversity, as witnessed by the declining numbers of new applicants to the program.

Given the current design of the program, it is expected that the program will continue to best serve periodicals of a certain type: print consumer magazines published in English and based out of central Canada, and print English-language community newspapers that succeed within the paid circulation/request circulation model. Some interview respondents point out that this leaves out a considerable diversity among periodicals available in the market.

³¹ Newspapers Canada, Snapshot series, 2011-2014.

³² Departmental Report on Plans and Priorities (RPP), 2012-13.

Evaluation Question 9

To what extent has CPF support helped to maintain or increase distribution of Canadian magazines and community newspapers?

KEY FINDINGS

- CPF funding allows recipients to invest in measures to maintain or increase distribution of Canadian magazines and community newspapers.
- Overall circulation for magazines and community newspapers funded through ATP decreased during the evaluation period; however, the number of titles funded also decreased over this time, and evidence indicates that digital distribution and readership (not counted in circulation figures) grew during this time, ostensibly offsetting some print readership.
- CPF support may have helped mitigate a more severe decline in distribution during this timeframe, as recipients used CPF funding for activities like offsetting the cost of distribution, initiating efforts to increase sales, or establishing a digital presence.

Canadian magazine circulation is in decline, from 85.2 million in 2008 to 83.5 million in 2012.³³ Paid circulation among weekly newspapers has shrunk by about 27 per cent from 2011 to 2014.³⁴ According to industry representatives and the expert panel that participated in the evaluation, this decline continues today. In light of these figures, the question of the CPF's impact on circulation becomes one of mitigating decline rather than promoting growth. Administrative data show a decline in circulation figures has also occurred for ATP applicants, from over 243 million copies in 2011-12 to just over 212 million copies in 2013-14, and the survey of applicants further shows more than three-quarters of ATP applicants experienced either no change or a decline in circulation since the first year they applied for ATP funding.³⁵ At the same time, digital presence grew for the majority of applicants, with some recipients indicating they were able to grow their digital readership.³⁶

The flexibility of the ATP means that publishers can invest their ATP dollars where they see fit. The program allows recipients to direct their funding to activities that increase circulation and to use their preferred distribution method. The survey of applicants shows that maintaining or increasing circulation was a priority area for more than eight in ten magazines and six in ten community newspapers that applied for ATP funding. Furthermore, more than eight in ten recipients surveyed attest to the flexibility of the funding by saying that they were able to apply the funding to their area of greatest need. Many interviewees say that ATP funding is often used to offset the cost of circulation, developing or improving a publication, or establishing a digital presence. Some publishers have also used BI funding for marketing campaigns to enhance circulation.

³³ Magazines Canada in *Magazines Canada: How Magazines Connect with Consumers*, citing Canadian Advertising Rates Data (CARD) data.

³⁴ Newspapers Canada, Snapshot series, 2011-2014.

³⁵ 75 per cent of magazine applicants and 87 per cent of newspaper/digital applicants experienced no change or a decline in circulation.

³⁶ 74 per cent of magazine applicants and 51 per cent of newspaper/digital applicants experienced a growth in digital presence.

These investments may or may not lead to increased circulation (or a reduction in the speed of loss of circulation), but it is important to recognize that paid circulation remains an important way that periodicals generate revenue, particularly for those who qualify for ATP funding. Thus, increased circulation, like increased advertising revenues, can be seen as an intended outcome of strategic investments in other areas, such as human resources, content production, marketing, etc. Collectively, most experts, industry representatives and PCH officials agree that the CPF has helped to mitigate the decrease in circulation, though the extent of the impact has not been quantified.

Looking to the near future, there is general agreement among industry representatives, experts and PCH officials that digital-only, as well as other forms of circulation (e.g., sponsored), should be considered as part of the ATP criteria and funding formula. One respondent observed, “The focus [of funding criteria] on print has given us an incentive to invest in paid print circulation. [...] This creates perverse incentives in an industry that is transitioning to digital.” At the same time, the experts also warn against overestimating the current importance of digital to the industry, which they characterize as still very limited and pertaining mainly to the largest and most sophisticated publishers. A case study with one BI recipient echoes this concern, highlighting an example of a periodical with a strong print readership that has felt somewhat obligated to develop digital circulation in order to obtain project funding.

Evaluation Question 10

To what extent has the CPF contributed to more competitive Canadian magazine and community newspaper industries?

KEY FINDINGS

- When considering financial indicators such as revenues, expenses, and profit margins, the Canadian magazine and community newspaper industries appear less competitive today than they were when the CPF was launched. The biggest threat to the competitive strength of industry is the loss of advertising revenues as a result of online options for advertisers.
- CPF may be helping to soften the blow of downward trends by sustaining a portion of the periodical industry, although it is difficult, if not impossible, to demonstrate the extent to which this is happening. Qualitative evidence suggests that the CPF has supported a competitive periodical industry by providing monetary support to those who qualify for funding, which is in turn used to improve or sustain their periodicals and nurture the industry’s talent in Canada. Industry stakeholders indicate that the CPF helps many publications survive in an environment of increasing competition, increasing costs, decreasing advertising revenue, and changing technology.
- However, evidence suggests that the proportion of the industry that CPF is helping to support may be declining as there appears to be fewer titles that qualify for ATP funding under the current paid circulation model.

In determining the competitiveness of the magazine and community newspaper industries, a number of indicators were considered including the long-term number and diversity of publishers and titles, revenues, expenses, profit margin, advertising pages (actual number and proportion of pages in an issue), changes in business expenses, market share of Canadian magazines versus

international magazines, and the professional capacity of the industries (training, skills development).³⁷

Documentation, experts, and interviews confirm that the design of ATP is focused on rewarding titles that perform well at circulating paid print copies and request copies. PCH officials and experts are generally in agreement that this approach stimulates competition by encouraging titles to succeed in the market through bolstering the titles that people demonstrate a desire to read. Industry representatives and CPF recipients indicate that the CPF helps many publications survive in an environment of increasing competition, increasing costs, decreasing advertising revenue and changing technology, when their toughest competition seems to be the Internet and the multitude of educational and entertainment options it offers, usually for free. The ability to access information online without charge poses a particular challenge for ethnocultural publishers whose readers want to read about news and events in their country of origin, and who can easily do so online. For some periodicals, this challenge has meant the necessity of distinguishing their product from the high-level, brief, reactive information they perceive, for which the online environment is better suited. Some PCH staff and industry representatives also say that the program is helping to nurture the industry's talent and keep this talent in Canada by helping periodicals pay their employees.

Although key informants feel the CPF has made a contribution to a more competitive industry, there is also agreement that there is no way to determine the specific extent of the CPF's impact in this area. Furthermore, the review of statistical data, literature, and ATP administrative data present a picture of an industry in decline. The industry has witnessed declines in operating expenses, revenues, and profit margins. The question becomes: How much more challenging would the state of the Canadian periodical industry be today in the absence of the CPF? The view of most industry representatives, CPF officials, and experts is that the CPF has helped publishers in their attempts improve their level of competitiveness and ultimately to stay in business.

Advertising revenues

Publishers generate revenues through the sale of their publications and by selling advertising, with advertising sales producing the lion's share of revenue. Industry data show that the proportion of magazine revenues that were generated by advertising in 2009 was 73.9 per cent, while 26.1 per cent came from circulation. These proportions were virtually unchanged two years later in 2011. Advertising revenue for community newspapers decreased significantly from 2008 to 2010, only to rebound in relatively strong fashion in each of the next two years, which also represent the first two years of the CPF. In 2013, however, advertising revenues for community newspapers fell significantly by \$261M or 20.3 per cent.³⁸ As for magazines, from 2007 to 2013 the volume of reported advertising dollars earned by Canadian consumer magazines fell every year (except one) for a total ad revenue decrease of 22 per cent during this time.

³⁷ An indicator that was not explicitly investigated, but could be for future, is the market share of non-daily newspapers and magazines compared to other cultural industries, such as books, television, film, recorded music.

³⁸ Newspapers Canada. CCNA Annual Revenue Survey.

The quantity of advertising pages among ATP recipients' titles reflects this downward trend. From 2011-12 to 2013-14, ATP recipients experienced a drop in number of advertising pages with no change in the proportion of pages overall, suggesting a scaling back of size of publications due to the lack of advertising revenue to support the production, printing, and distribution of a larger periodical. Evidence from interviews, literature, and experts confirm periodicals are losing their advertisers to online advertising options.

Operating expenses, revenues, and profit margins for magazines

According to the most recent Statistics Canada information, both operating expenses and operating revenues for Canadian magazines fell between 2007 and 2011. There was a total reduction in magazine industry-wide expenses of about \$154 million or 7.4 per cent from 2007 to 2011.³⁹ Throughout this period the Canadian magazine industry as a whole has remained profitable, but profit margins for magazines declined in 2011 after a slight post-recession rebound. The rise and fall of the magazine industry's operating profit margin between 2007 and 2012 varied significantly according to region, with the most profitable magazines found in the Prairies.

Number of titles and circulation

Success among individual titles may be somewhat at odds with using the diversity of titles and publishers as indicators of the competitiveness of the periodical industry. As shown previously, the number of titles funded by the program has fallen (895 in 2011-12 to 821 in 2013-14). The number of unique publishers supported by ATP also declined during its first four years (from 530 to 480), with the most dramatic decrease occurring in 2011-12, the year of full program implementation when some titles that were funded during the transition year lost funding.⁴⁰ But according to industry data, the overall number of Canadian magazine titles actually remained relatively flat from 2,062 in 2010 to 2,070 in 2012⁴¹, the first two years of the CPF. Meanwhile, there was growth among community newspapers in terms of total circulation. From 2011 to 2014 total circulation increased by 13.7 per cent.⁴² Paid circulation fell during this time, suggesting that the growth in this industry has been in free circulation newspapers. This means that fewer community newspapers meet CPF eligibility criteria.

³⁹ Statistics Canada, CANSIM Table 361-0031: "Periodical publishers, operating expenses, by North American Industry Classification System (NAICS).

⁴⁰ See Table 5.12, Appendix F. This indicator is difficult to assess in the context of CPF. The administrative data show that the number of unique periodical publishers supported by ATP declined from 530 to 480 over 2010-11 to 2013-14, but this data does not reflect publishers who were bought or absorbed by others at some point over the evaluation period. When a new owner overtakes a title, the previous owner is overwritten in the program's files in the years prior to the takeover.

⁴¹ Magazines Canada, *How Magazines Connect with Consumers*.

⁴² Newspapers Canada, *Snapshot series, 2011-2014*.

US spill of magazines

Traditionally, questions about the competitiveness of the Canadian periodical industry have tended to revolve around the impact that US magazines were having on their Canadian counterparts. The rationale for CPF's predecessor, the Canada Magazine Fund, was predicated on the threat of U.S. split-run magazines providing significant competition for Canadian advertising revenues. As noted in the 2006 Evaluation of the Canada Magazine Fund, this threat did not materialize and there is still no evidence of this threat. US spill print magazines do present some competition to Canadian magazines in terms of competition for consumers, but even this threat is minimal today.⁴³ In 2010, the start of the CPF, US spill circulation was about 6.4 million copies, and then fell to 5.8 million in 2012, accounting for only 8 per cent of total magazine circulation in Canada. Interviews with industry representatives and the literature indicate that these US spill titles compete most directly with the largest Canadian titles. For community newspapers, there is less pressure from competition with foreign publications because of the niche local markets these periodicals serve.

5.1.3 Achievement of Ultimate Outcome

Evidence that Canadian artistic expressions and cultural content are created and accessible at home and abroad

CPF is making progress toward the program's ultimate outcome that *Canadian artistic expression and cultural content are created and accessible at home and abroad*. Public opinion research conducted by PCH in 2012 demonstrates that Canadian magazines are contributing to Canadian content at a level that is noticed by Canadians: almost 70 per cent of Canadians agree that Canadian magazines reflect their experiences and perspectives, and over 80 per cent agree that reading Canadian magazines help them appreciate Canadian culture and learn more about Canada. Evidence from the same study demonstrates that local newspapers are delivering content that is relevant to and accessed by Canadians, as nearly 80 per cent said they depend on their local community newspaper to get news and information about their community.

Long term reporting of outcomes, however, is absent from all components of the program, making it particularly difficult to assess long term results beyond some general observations. Industry statistics show that the periodical industry is in decline. Many key informants feel that the CPF has had a positive impact on the industry, and has been critical to the survival of many publishers and titles.

As has been documented, CPF funded more than 800 periodical titles annually from 2010-11 to 2013-14. Recipients say that this funding was used to help their magazines reach more readers, to improve periodical content, and to stabilize business operations. During the evaluation period, Business Innovation funded 210 projects with print and digital-only publishers who used the project funding to undertake initiatives like marketing strategies, enhancements to digital content, and improvements to business processes and systems. The contribution that Collective Initiatives makes to the availability of Canadian content is somewhat less direct: by funding 94

⁴³ Magazines Canada. A comparison of Canada and the US.

collective industry projects over the evaluation period, the CPF is helping to sustain the professional capacity of these industries which is ultimately what will lead to Canadians being able to access Canadian content. CPF funding generally has been noted as being fundamentally important to the industry; many BI and CI projects would not have taken place without federal funding, and industry stakeholders speculate that the loss of ATP funding could mean closure for some periodicals.

5.2 Core Issue 5: Demonstration of Efficiency and Economy

Evaluation Question 15

Are the resources dedicated to programs being used economically and efficiently to maximize achievement of outcomes?

KEY FINDINGS

- The CPF is a large program (the largest of the three Cultural Industries program) and the associated administrative costs are reasonably low.
- There are areas of administrative inefficiency that could be remedied. Efforts to alleviate administrative burden on program staff would likely make the program more efficient and effective.
- Although there are other sources of financial support for periodical publishers, there is no evidence that the program duplicates any other program delivered by other organizations or levels of government.

Over the period 2010-11 to 2013-14, CPF averaged 3.61 per cent in administrative costs in relation to total funding;⁴⁴ lower than two other programs in the cultural industries branch.⁴⁵

CATEGORIES	2010-11	2011-12	2012-13	2013-14
Salaries	2,770,584	3,070,148	2,531,921	2,611,727
EBP	554,116.80	614,029.60	506,384.20	522,345.40
O&M	211,471	45,709	8,904	228,811
G&C	72,714,358	72,676,223	72,191,459	73,124,380
TOTALS	75,827,588	76,406,110	75,238,668	76,029,641
Ratio	3.65%	4.01%	3.36%	3.43%

Source: PCH Financial Administration Services

The program's efficiency is attributed in part to the formula approach to determining ATP funding, which allows for quick assessment of applications; the absence of outcome reporting requirements for most funding recipients; and the use of third-party audits to verify some applicant data (e.g., circulation figures). The project-based components (BI and CI) incur greater administrative costs since time is required to assess these applications, although they make up a

⁴⁴ This includes the actual costs of the program, and the grants and contributions as approved.

⁴⁵ According to the 2012 value for money analysis based on numbers provided by the Cultural Industries Programs (updated for CPF Sept 2014), in its first two years, CPF had a lower average cost to total funding ratio (3.32 percent) than both the Canada Book Fund (4.69 percent) and the Canada Music Fund (12.42 percent) in the same period (2010-11 and 2011-12).

small portion of the overall program budget. The value for money analysis concluded that the salaries for CPF averaged just over \$2 million and were reasonable and reflective of the total FTEs dedicated to the program.

Some administrative inefficiency has been identified, as follows:

- Documentation⁴⁶ and interviews provide evidence that the structure of the work year for ATP staff with one deadline for all ATP community newspaper and magazine applicants produces a period of heavy workload (eight months) followed by low period (four months). During the high period, the workload is such that employee stress is a serious concern. Additionally, a few funding recipients noted that turnover in the program staff who handle certain files has led to inconsistencies and loss of corporate memory. Implementing two separate deadlines for ATP, one for magazines and one for community newspapers, has been suggested as an improvement to program efficiency;⁴⁷
- The amount of data required to apply for ATP and BI is said to be burdensome to applicants and prone to discrepancies. A few interview respondents noted difficulty in providing some information that their organization tracks differently from the format requested. A few PCH staff indicated data entry and out-of-date equipment and databases are a burden on staff. Online applications and direct deposit for funding amounts are expected to make the program more efficient in the future;
- The delay between a publisher's submission of their ATP application and the receipt of funding – which can be 8 to 10 months – is perceived by external stakeholders to be inexplicably long, particularly since ATP decisions are based on objective criteria. While the survey suggests that most recipients have coped well with this lag, evidence from the key informant interviews suggests that some publishers can experience serious cash flow problems while they wait for their funding, even to the point of having to temporarily halt operations;
- Documentation and interviews indicate the length of time it takes to approve and reject CI and BI applications is longer than those for ATP funding, which are approved by the Director General of the Cultural Industries Branch;
- Interviews with PCH officials and the review of documents and files suggest there may be some duplication of effort in collecting application data from BI and ATP clients who are shared between these components. Increased information sharing could help in relieving some administrative burden on the applicants and staff; and
- In documentation, it was noted that the newly created Program Support Centre (PSC) has contributed to administrative inefficiency.

Applicants who responded to the survey raised many of the above concerns. Additionally, some suggested there should be more consultation with industry, especially regarding funding criteria. The clarity of funding decisions was an issue often raised in open-ended survey comments, as well as by a few key informants. Survey data show that while applicants are generally satisfied with the funding criteria for ATP (67 per cent of magazines, 76 per cent of community newspapers), there is a lower level of

⁴⁶ Jean-Guy Chapman, Organizational Review and Analysis: Department of Canadian Heritage, Cultural Industries Branch, Periodical Publishing Policy and Programs Directorate (PPPD), March 2014.

⁴⁷ Ibid.

satisfaction with the clarity of funding decisions (53 per cent of magazines, 51 per cent of community newspapers); furthermore, just 24 per cent of non-recipients are satisfied with the clarity of funding decisions. Qualitative comments indicate that some recipients may not be aware that the funding formula is publicly articulated, but also that some perceive the formula as complex and not helpful in predicting the amount of funding they will receive year to year. A few key informants also suggested that certain criteria, such as Canadian content levels, can be subject to differing interpretations. Survey comments also indicated a desire to be able to respond to or clarify their application before being rejected outright, in order to ensure that certain information was not misconstrued by the applicant.

Complementarity/duplication with other programs

There are some other funding sources from which Canadian magazines and community newspapers may be eligible to receive funding or other support (e.g., tax incentives), including:

- The Canada Council for the Arts;
- Canada Revenue Agency’s Scientific Research and Experimental Development Tax Incentive (SR&ED)⁴⁸;
- Provincial government agencies and arts councils, such as the Ontario Media Development Corporation (OMDC);
- Arts and culture funding from larger municipal governments; and
- Foundations and private sector donors.

The CPF’s scope does not significantly overlap with those of other funding sources. According to interview respondents, the amount of funding offered through other sources tends to be smaller in comparison to that offered by the CPF. The objectives of these other programs can also be much narrower in scope or far more general. For example, Canada Council funding is available only to arts and literary publications; and municipal government funding is typically awarded for general arts and cultural activities rather than dedicated to periodicals.

⁴⁸ According to one key informant, media companies may be able to take advantage of the SR&ED incentive for work undertaken to achieve “technological advancement for the purpose of creating new, or improving existing, materials, devices, products or processes”. Canada Revenue Agency, *What work qualifies for SR&ED tax incentives?*

Evaluation Question 16

Are there alternative approaches to achieving similar results?

KEY FINDINGS

- The design of CPF was informed by findings and recommendations of evaluations on its predecessor programs and industry consultations. The program itself is a simplified and streamlined version of the previous programs that provided direct financial support to the magazine and community newspaper industries.
- The delivery of the program internally by PCH is appropriate and there is no evidence that an alternative model (e.g., delivery of components by third parties) would lead to cost savings.
- Some alternative models of indirect industry support were identified and may be worthy of additional investigation.

The design of the CPF was informed by findings and recommendations from evaluations of its predecessor programs and a consultation process undertaken to redesign the Canada Magazine Fund /PAP programs.⁴⁹ A careful review of alternative programs/models was conducted for the 2005 evaluation of PAP, and suggestions of alternative program models were accepted during the 2008-2009 consultation process. The CPF emerged as a more simplified and streamlined approach than the Canada Magazine Fund/PAP, although it still works in a similar way by providing direct monetary support to publishers (but no longer only funds distribution costs, as PAP did).

Some alternative approaches to supporting these industries that the present evaluation came across in documentation and interviews, and which could merit further research and analysis, include:

- A model that offers tax incentive/tax relief to publishers, as was documented in a review of programs offered in the United Kingdom;⁵⁰
- A general model that provides incentives to Canadian readers to buy periodicals, such as by offering tax incentives to readers, or price reductions of Canadian periodicals relative to US periodicals;
- A model that provides incentives to advertisers to advertise in publications with Canadian content; and
- A component that rewards publishers for the production of Canadian content. This could be targeted to small publishers (who may not qualify for ATP).

⁴⁹ Documentation on this consultation process indicates that most submissions did not list alternative proposals, although “a handful of organizations put forward detailed alternatives.” These detailed alternatives were not reviewed as a part of the present evaluation. Department of Canadian Heritage. *Highlights from the Consultations on Redesigning Federal Programs for the Periodical Industry. A summary document.*

⁵⁰ Department of Canadian Heritage, Evaluation of the Publications Assistance Program, 2005.

Third-party program delivery

The CPF model of centralized program delivery was compared with the third-party delivery model of another program in the Cultural Industries branch as part of the value for money analysis. Although the program component delivered by a third party was found to have lower costs per application, a few program staff mentioned that such an approach would not likely incur cost savings or enhanced program delivery for CPF as ATP differs greatly from the model of the third-party administered program, and has a larger funding envelope that must be distributed.

5.3 Other Evaluation Questions

5.3.1 Official Languages

Evaluation Question 17

Does the CPF meet the requirements of section 41 of the *Official Languages Act*?

KEY FINDINGS

- CPF meets the requirements of showing commitment to the vitality of linguistic minority communities in Canada and fostering full recognition and use of both English and French by funding periodicals that serve official language minority communities, publishing content in their language.
- Qualitative evidence indicates this share of CPF funding may be in decline as OLM communities suffer fragmentation and loss of population, ultimately leading to declining circulation figures for these publications.

A few key informants noted that CPF support is critical for Official Language minority publishers and current levels may be inadequate. The number of Official Language minority titles and projects that have been funded by the CPF components between 2010-11 and 2013-14 consistently represented between zero and three per cent of titles/projects within a given component each fiscal year. Between 26 and 30 OLM titles have been funded each year under ATP, with their share of ATP funding being one per cent. Interview respondents noted that some of these organizations are experiencing reductions in circulation due to shrinking OLM communities, and because their circulation is shrinking, they receive less ATP funding. It should be noted that positive measures (e.g. a 2,500 circulation threshold for funding, rather than a 5,000 circulation threshold) are in place to help OLM publications access ATP funding and that those that have maintained or increased their circulation have received more funding through the program.

5.3.2 Performance Measurement

Evaluation Question 18

Is an adequate performance measurement strategy in place to account for the program's results?

KEY FINDINGS

- The program faces a number of challenges related to performance measurement. Certain program outcomes are hard to measure, and some performance indicators are not ideal due to reliance on industry data, which is incomplete, infrequent, and not directly associated with the program. There is also no obvious control group with which results of CPF funding recipients can be compared.
- There are areas where data collection and analysis could be strengthened to better show the program's results. Currently, long-term outcomes for BI and CI are not collected, and there is no systematic collection and analysis of the outcomes of funding awarded to ATP recipients.

Interviews, documentation, and a review of industry statistics suggest that some performance measurement indicators may not be well matched to the program's outcomes. Industry wide data is used as a proxy for determining the impact and effectiveness of the program, such as the number of different periodicals published in Canada.

The review of documentation found that the program has clear roles and responsibilities for program monitoring and performance data collection. The program also undertakes audits of funding recipients, as part of the program's risk management strategy, to verify applicant data such as circulation and Canadian content.⁵¹ In spite of these provisions, there are areas where performance measurement data is lacking for each of the components:

- Although ATP recipients are required to submit up-to-date circulation figures when reapplying each year for ATP, they are not required to report on how they used their funding or direct outcomes of that funding. Thus, it is difficult to ascertain what direct impact the funding has had on recipients and to disentangle this from other mitigating factors; and
- For BI and CI, final and sometimes interim activity and results reports are required of contribution recipients. However, BI and CI grant recipients are not required to report on results (except when/if they reapply to BI in the future), which makes it difficult to assess results across all recipients.⁵² Furthermore, BI and CI recipients are not required to report on results beyond the fiscal year when their funding ends. Although immediate impacts and objectives are well documented in final reports, long-term impacts are not apparent, falling outside of the timeframe under report. Furthermore, some PCH staff remarked in interviews that some of the outcomes of BI and CI projects are difficult to measure at all, such as determining whether the industry is better trained as a result of CPF funding that goes toward professional development activities.

⁵¹ Department of Canadian Heritage. RMAF/RBAF; Cultural Industries Branch. 2011-2012 Audits and Evaluations.

⁵² Grants are awarded to those clients who have been assessed as lower risk.

5.3.3 Unexpected Results

Evaluation Question 19

Does the CPF have any unexpected results?

KEY FINDINGS

- The CPF may have had some negative unintended impacts, mostly related to the ATP component funding criteria rewarding print circulation, which incentivizes recipients to produce print publications over digital. Some qualitative evidence pointed to organizations taking additional measures to ensure ongoing program eligibility.
- The number of applications rejected under BI was highest in the program's first year, and there were still numerous rejections in subsequent years. Even though the rejection rate has declined over time, the lack of detailed rationale for rejection of applications may be discouraging titles from seeking funding.
- There appears to be some dependence on CPF funding, but for some periodicals the undue strain of applying to CPF is not worth the potential funding.

Unintended impacts

One possible negative unintended program result, raised by survey respondents and external stakeholders, relates to the current exclusion of digital-only publications from ATP eligibility criteria and digital readership from the funding calculation. In order to maximize ATP funding, recipients may be trying to maintain their print venture, although consumer demand is leading them to focus on digital activities. The industry data and literature confirm the shift to a digital environment. However, industry experts cautioned that the loss of print readership to digital may be a trend that will reverse itself and warned against overestimating the demand for digital platforms among readers, explaining that publishers are still figuring out how to make money from digital.

Interviews, documentation, and administrative data indicate that despite the program's design that includes certain relaxed criteria for Aboriginal, ethnocultural, and official language minority publications, the program's circulation-based formula may be inadvertently excluding periodicals of these types because many remain too small to demonstrate readership using the current measures. A few industry experts pointed out that for some of these periodicals that serve such niche markets, growing their circulation figures may not be as much a goal as for more mainstream periodicals.

Key informants and survey respondents indicated some dependency on the program for funding. It was mentioned that some publishers have had to temporarily suspend operations while waiting to receive funding from CPF. Some survey and interview respondents remarked that they are uncertain of how the ATP funding formula is calculated and therefore they struggle to anticipate funding and plan ahead. A few PCH staff commented that there has been a risk of BI and CI funding becoming relied upon operational funding because of the tendency for organizations to be awarded funding for similar activities year after year. One case study with a BI recipient showed that project funding requires recipients to propose innovative projects, but also underscored the value of having a dependable source of operational funding.

A few interviewees and survey respondents noted that applying for funding can put undue strain on some periodicals' resources. One survey respondent explained, "The cost of conducting a formal audit every year is in the neighbourhood of \$6000 and the grant may be only \$15,000, so if one were to count also the labour involved in actually preparing the audit material and the Aid to Publishers application, it is not at all clear that the publication really gains anything."

And, as noted earlier in this report, the time it can take for ATP recipients to receive their funding can result in serious cash flow problems, which in turn, can lead to a temporary cessation of operations.

Applications rejected under BI

Interviews with PCH staff suggested that the large number of BI rejections during the first few years of the program led to increased workload. For example, in 2010-2011, the rejection rate was two in every five applications (41 per cent). This declined to one in four (25 per cent) by 2013-14 (Appendix F). Reasons for not being recommended for funding at the program level include lack of a complete application to sufficiently assess the project and/or ineligibility (not meeting the funding criteria). As mentioned previously, these rejections may discourage some periodicals from applying for BI funding in the future.

6. Conclusions and Recommendations

6.1 Conclusions

6.1.1 Relevance

There continues to be a need for federal government support for the magazine and community newspaper industries. The program was first designed to help the Canadian periodical industry mitigate the pressures of competition from US publications (particularly for magazines) and the inefficiencies of Canadian distribution in a large country with sparse population density. The conditions and challenges under which the CPF was formed persist today, and the need for support may be even greater than when the CPF was designed given increased competition from digital sources for advertising revenue, decreasing print circulation figures, rising distribution costs, and attempts to devise and transition to profitable models of digital distribution and readership. This is particularly true given that the industry is still recovering from the 2008 recession. A number of key indicators of financial health of the periodical industry dropped significantly after 2009, especially for magazines, including advertising revenues, paid circulation, total circulation, and profitability. The industry's systemic challenges were exacerbated by the global recession and the growing encroachment of Internet-based advertising. Evidence indicates that there is a high demand for Canadian and local content, and that the industry plays a culturally and economically significant role to Canada and Canadians, further solidifying the relevance of federal support in this area.

The CPF is well aligned with government priorities with respect to promoting a vibrant Canadian culture and heritage, and with Canadian Heritage's strategic outcomes of ensuring Canadian cultural and artistic content is accessible to Canadians and abroad. The program's delivery is an appropriate role for the federal government, given the scale of the industry and its economic importance to Canada, and this is in line with its historic role in supporting the periodical industry. There are no other organizations identified that could deliver a program like the CPF, notably due to the scale and scope of the program and the federal government's interest in supporting the creation of diverse Canadian content.

Federal support remains relevant both to publishers and to the industry organizations that represent and assist segments of the magazine and community newspaper industries. Appropriately, the program offers components that directly support both publishers and industry organizations. However, the criteria for ATP, the largest component of CPF, exclude a range of periodicals such as digital-only titles, free publications, periodicals with paid circulation under 5,000 (or under 2,500 for special groups), and newly-launched titles. Ethnocultural, Aboriginal, official language minority, and GLBT publishers have had some access to funding to support their titles, but many of these, too, are excluded from funding due to their characteristics, such as their size, circulation models, and amount of foreign content.

6.1.2 Performance – Achieving Expected Outcomes

The program has provided a substantial, and sometimes critical, amount of funding through ATP to more than 800 titles each year. The flexibility of ATP gives recipients the freedom to invest their funds where they see fit, so some recipients are able to use this funding to help offset existing business costs, or to undertake activities they otherwise would not. This funding may be contributing to lowering business costs but there is also evidence that the funding is allowing some recipients to undertake new activities. A greater understanding of the impact of this funding could be achieved with enhancements to reporting. The funding provided to recipients is regarded as vital. Delivery of the ATP component could be improved through measures to relieve administrative burden to applicants and staff, and measures to improve clarity in the way funding decisions are made, particularly in order to be able to anticipate the amount of funding, and timeliness of notification of funding decisions.

The Business Innovation component is largely seen as supporting the program’s objectives. It has funded over 200 projects that have helped recipients achieve specific, targeted outcomes like increasing their digital presence and digital advertising revenues, developing skills and building knowledge, hiring staff, and increasing their capacity for business development and innovation. Suggestions for improvement to BI could improve its effectiveness and efficiency. Eligibility criteria could be reviewed to increase targeted support for innovation in periodicals that are not currently eligible for BI funding, such as newly-launched titles and community newspapers. There also may be some work to be done in raising the profile of BI as this component is not well known: the program could research and reach out to the digital-only periodical sector. In addition, it would be worth improving the application experience, as evidence suggests BI has acquired a reputation as onerous to apply for relative to the level of funding (i.e., a maximum of \$25,000 per project per year), and possibly applicant interest has dwindled after high levels of rejections in the program’s first three years. The program could benefit from having information on the long-term results of BI projects to help with future decision-making and to measure the results of its investments.

The Collective Initiatives component complements ATP and BI by providing project-based support to organizations that promote industry knowledge sharing and sustainability initiatives. Almost 100 projects have been funded, which have made immediate contributions to professional development and intra-industry cooperation. Awareness of the component in the industry is high, and CI is seen as well- designed and “reasonable” in its application and reporting requirements in relation to the amount of funding available. CI has been used to help recipients achieve a number of outcomes in a wide range of areas, including digital adaptation, professional development, branding, marketing and advertising. CI has also been successful at developing and strengthening networks at the industry level, allowing organizations to provide value and relevance to their membership through the leveraging of significant federal government dollars. Although the program is able to discern impact trends when applicants apply for funding in several years, a more comprehensive understanding of how CI contributes to the long-term health and sustainability of the industries is missing.

There is evidence of the positive impact that the CPF has had on the industry. For example, survey evidence reveals that most recipients have experienced positive change in one or more

aspects of their business (e.g., increased digital presence, increased circulation revenue, increased advertising revenue, profitability), attributing at least some of the change to the CPF. Satisfaction with most aspects of the CPF is also high among recipients. Exceptions to this high satisfaction are with regard to the clarity of funding decisions (both for BI and ATP) and perceived fairness of funding. Dissatisfaction on these fronts is not surprising, however, given that, due to the nature of the formula approach, the amount of funding recipients receive from ATP can vary greatly from year to year based on a number of factors.

In spite of evidence of these positive impacts, the overall weakening of the periodical industry since the CPF was created makes it difficult to demonstrate clear progress toward CPF's intermediate outcomes. Limited industry data, coupled with the external factors of a global recession and the continued evolution of digital technology, make it a challenge to isolate the impact of CPF from other mitigating factors. Given the extremely challenging environment in which the periodical industry has been operating since 2008, the CPF's impact has most likely been experienced as a softening of an otherwise dramatic downward trend. With the general outlook of the industry pointing to stagnation and even decline, the availability of more reliable industry data is required to help illuminate the intermediate and ultimate outcomes of CPF.

To individual recipients of funding, especially smaller ones, CPF support has been vital to providing support to part of a fragile industry coping with unprecedented change. CPF has helped some periodicals to survive, ultimately providing Canadians with better access to a wider range of Canadian content. The survival of publishers and titles has helped to preserve jobs and learning opportunities for people in the field, and contributed to the sustainability of the industry.

6.1.3 Performance – Efficiency and Economy

The delivery of the program appears appropriate and there is no evidence that an alternative model (e.g., delivery of components by third parties) would lead to cost savings. The CPF overall is administered efficiently, with some room for improvement. There are areas in which administrative efficiency could be improved under the current design, particularly regarding redistributing the workload for ATP and streamlining the application process for ATP and BI. Improvements to these areas would likely alleviate administrative burden on program staff and reduce some negative unintended impacts of the program.

6.1.4 Performance – Other Issues and Outcomes

There are some areas in which performance measurement could be improved. Efforts to improve the availability of industry data would assist in measuring progress toward intermediate and ultimate outcomes, and understanding the program's impact on the industry. In light of the absence of reliable industry data, it is particularly important that some reporting of results be obtained from ATP recipients, although this needs to be balanced with the administrative capacity of the program. Furthermore, certain indicators and intended outcomes of the program may need to be adjusted if it is not possible to obtain information from industry-wide data or applicants to demonstrate progress. Long-term reporting requirements instituted for BI and CI

recipients would also help to establish the impact of these components, but again, this must be balanced with sensitivity for the burden this places on recipients and staff. CPF currently meets its obligations toward official language minority communities, but the CPF's impact may be at risk of declining if, due to declining populations, OLM publications struggle to meet the current program criteria.

6.1.5 Moving Forward

- As mentioned earlier, the periodical industry in Canada has changed significantly in the last five years, driven by a global recession and constant technological change. While the CPF was designed in response to industry needs, taken together, the evidence on the program's relevance and performance suggests that the program's current guidelines, including its eligibility criteria for ATP and the basis for formula funding (i.e., paid print circulation) is becoming increasingly incongruent with the shifting realities of the industry in the following areas:
- **The definition of “wantedness” may need to be revisited in the current environment.** The principle of wantedness as determined by payment for print copies faces some challenges given industry trends and pressures to include not only digital, but also sponsored copies (copies purchased by a sponsor for distribution to targeted consumers to increase its relationship with the consumers) and other forms of free distribution;
- **Digital circulation is not currently rewarded in the ATP formula.** Digital technology is a significant development in the industry that impacts business models, revenue streams, production, readership and distribution. Periodicals are experimenting with digital circulation and although this model has not replaced print circulation, the industry is expressing a desire for their achievements and investments in digital to be rewarded by the program. Furthermore, there is some evidence that the focus on rewarding print periodicals that operate within the paid distribution model may be inadvertently stifling innovation in the industry; and
- **ATP directly supports portions of the magazine and community newspaper industries,** but the proportion supported appears to be shrinking, which may be at odds with the program's objectives related to diversity. While the number of applicants to ATP is decreasing, the number of ineligible periodicals (digital-only titles, free publications, very small publications [paid circulation under 2,500]), and newly-launched titles is increasing. This may be increasingly the case as publishers look to new distribution and revenue models in order to attract readers and advertisers, meaning that the program in its present design may be relevant to fewer and fewer publications over time. In particular, as mentioned earlier, key stakeholders and experts suggested that some periodicals serving ethnocultural, Aboriginal, OLM and GLBT audiences have had difficulty meeting the criteria for funding. Some applicants surveyed as part of the evaluation expressed a desire for increased support to small publications. Given the lack of detailed industry data on these segments of the industry, the extent of this issue is not fully understood but this would seem to be

at odds with the ultimate outcome of ensuring Canadian content is accessible to Canadians, and intermediate objectives of fostering diversity in the industry.

These critical areas highlight the need for a review of the program’s objectives, eligibility criteria and formula approach in order to ensure the program remains relevant to the needs of the periodical industry.

6.2 Recommendations and Management Response

Recommendation 1		
The Assistant Deputy Minister, Cultural Affairs Sector should undertake a review of the formula funding approach and eligibility criteria for the Aid to Publishers component of the Canada Periodical Fund and consider whether these are appropriate to respond to the present and future needs of each of the two industries (magazines and community newspapers).		
Statement of Agreement /Disagreement		
Management agrees with this recommendation.		
Management Response		
The current ATP formula allocates funding on the basis of how many print copies a publisher sells or distributes on direct request from readers. Since the launch of the program however, digital technology has led to the creation of new business models and methods of distributing content. To take into account these developments, the current formula-funding approach, including eligibility criteria, will be reviewed within the context of the program’s objectives and current and anticipated future industry conditions. This will ensure that ATP is positioned to support core segments of the magazine and community newspaper industries so that they may produce diverse Canadian content and make it available in whatever format readers enjoy.		
Deliverable(s)	Timelines	OPI
Recommendations to modernize the ATP formula.	June 2016	Director General, Cultural Industries, Cultural Affairs Sector

Recommendation 2		
The Assistant Deputy Minister, Cultural Affairs Sector should review processes to implement greater administrative efficiencies in the Aid to Publishers and Business Innovation components of the Canada Periodical Fund.		
Statement of Agreement /Disagreement		
Management agrees with this recommendation.		
Management Response		
The Periodical Publishing Policy and Programs (PPPP) directorate will explore opportunities to reduce administrative burden for both program staff and applicants. For the ATP and BI components, PPPP will explore the use of multi-year funding agreements. For the ATP component, PPPP will consider alternative approaches to a single application deadline in order to efficiently manage workloads throughout the year – potentially resulting in		

less burden on program staff and, ultimately, applicants (ATP currently receives between 800 and 900 applications per year).

For the BI component, given that the application process was identified as a significant deterrent to applying, PPPP will consider changes to the application form that would make the process more user-friendly.

In order to further reduce burden and respond to applicants' concerns regarding the timeliness of funding decisions, the program will integrate with the departmental online application portal, whose goal is to simplify the process of applying.

Deliverable(s)	Timelines	OPI
Simplified BI application form.	November 2015	Director General, Cultural Industries, Cultural Affairs Sector
Analysis of pros and cons for multi-year funding agreements for ATP and BI.	June 2016	Director General, Cultural Industries, Cultural Affairs Sector
Recommendations for multiple ATP deadlines.	June 2016	Director General, Cultural Industries, Cultural Affairs Sector

Recommendation 3

The Assistant Deputy Minister, Cultural Affairs Sector should enhance engagement with stakeholders of the Canada Periodical Fund to ensure it responds to evolving needs and remains relevant.

Statement of Agreement /Disagreement

Management agrees with this recommendation.

Management Response

The program recognizes the value of stakeholder input as they have an on-the-ground understanding of developing trends and challenges in the industry which is why PPPP continues to engage with key national associations (L' Association de la presse francophone, National Ethnic Press and Media Council of Canada, Magazines Canada, and Newspapers Canada), as well as its client base, as appropriate. In order to strengthen its relations with the industry, PPPP will develop an engagement strategy to enhance future dialogue with stakeholders.

Deliverable(s)	Timelines	OPI
Engagement strategy for stakeholders.	March 2016	Director General, Cultural Industries, Cultural Affairs Sector

Recommendation 4

The Assistant Deputy Minister, Cultural Affairs Sector should investigate opportunities to elevate the profile of the Business Innovation component of the Canada Periodical Fund for greater impact.

Statement of Agreement /Disagreement

Management agrees with this recommendation.

Management Response

The program is committed to supporting innovative projects undertaken by publishers of Canadian print and digital-only periodicals. We will explore opportunities to further reach out to potential applicants, including through initiatives with industry organizations, such as webinars, to ensure that publishers are made aware of the BI component and the support that it provides. In addition, we will review BI's current eligibility criteria, reporting requirements and the amount of support it offers to ensure that the current design is well-suited to support innovation in the industry. This review will include an examination of BI's reach, which may be extended to new groups such as start-up periodicals and digital newspapers.

Deliverable(s)	Timelines	OPI
Analysis of options for BI eligibility criteria, funding support and reporting requirements.	December 2015	Director General, Cultural Industries, Cultural Affairs Sector
Enhance communication with industry organizations and potential applicants – as part of the Engagement Strategy (see Recommendation 3).	March 2016	Director General, Cultural Industries, Cultural Affairs Sector

Recommendation 5

The Assistant Deputy Minister, Cultural Affairs Sector should undertake efforts to improve the collection and analysis of Canada Periodical Fund performance measurement information, including the collection of immediate and longer-term results of program activities as well as industry-wide data.

Statement of Agreement /Disagreement

Management agrees with this recommendation.

Management Response

The program would benefit from more industry data to better understand the impact of each CPF component on the broader industry and in the longer term. We will therefore develop a strategy to improve data collection and where possible, work on shared initiatives with industry associations and other non-governmental partners. This data will enable the program to ensure that it remains aligned with current and future industry needs.

In addition, we will pursue methods of collecting information on how ATP recipients use funds, including by requesting this information on the ATP application form. Any changes to the ATP application form will be made in accordance with the overall approach of keeping administrative burden on applicants and staff minimal.

Deliverable(s)	Timelines	OPI
Data collection strategy	October 2015	Director General, Cultural Industries, Cultural Affairs Sector
Revised ATP application form to increase the collection of data.	November 2015	Director General, Cultural Industries, Cultural Affairs Sector

Recommendation 6

The Assistant Deputy Minister, Cultural Affairs Sector should review the Canada Periodical Fund's logic model and assess whether the program's objectives and performance targets reflect its goals.

Statement of Agreement /Disagreement

Management agrees with this recommendation.

Management Response

The program is committed to achieve its expected results (as defined in the T&Cs effective in 2010); however, it is clear that some of these results are difficult to assess and measure. Having four years' experience in implementing the program and the benefits of the evaluation, the program is now in a better position to review its logic model to ensure that it is strengthened and aligned with the program design (as per the Treasury Board Submission and Terms and Conditions) and reflects evolving industry trends and needs.

Deliverable(s)	Timelines	OPI
Revised CPF logic model for approval.	December 2016	Director General, Cultural Industries, Cultural Affairs Sector

APPENDICES

Appendix A: Evaluation Framework

Core Issue	Questions	Indicator	Data Source / Collection Method
Relevance			
<p>Issue 1: Continued need for program</p>	<ol style="list-style-type: none"> 1. To what extent is there a demonstrated need for the CPF: <ul style="list-style-type: none"> • For magazine publishers? • For community newspaper publishers? • Organizations? • For Canadians? 2. To what extent is the CPF responsive to the needs of: <ul style="list-style-type: none"> • Magazine publishers? • Community newspaper publishers? • Canadians? 3. To what extent does the CPF respond to the particular needs of (e.g. need for funding and access to the program) : <ul style="list-style-type: none"> • Ethnocultural publishers? • Aboriginal publishers? • Official language minority publishers? 4. Is the program's rationale and guidelines still valid in light of the current context of the Canadian magazine and community newspaper industries? 5. To what extent has digital technology affected the needs of publishers and Canadians? 	<ul style="list-style-type: none"> ▪ Challenges and opportunities facing the Canadian magazine and community newspaper industries ▪ Context in which the CPF was created and the need it was intended to address compared to the present situation ▪ Changes to the periodical publishing industry & implications for the CPF ▪ Changes in the market share and profitability of Canadian magazines and community newspapers industry ▪ Attitudes and behaviours of Canadians towards Canadian periodicals (consumption habits, awareness, interest in, and satisfaction with Canadian content) ▪ Program eligibility criteria for special groups compared to the challenges facing these publishers ▪ Continued need for funding to paid periodicals, free periodicals and request periodicals. ▪ Degree of alignment between the identified needs and programs' a) objectives; b) design; c) funding levels and d) funding mechanisms ▪ Impact of the emergence of digital technology (e.g. 	<ul style="list-style-type: none"> ▪ Literature review ▪ Document and file review ▪ Statistics Canada Annual Survey of Service Industries Periodical Publishers and Newspaper publishers ▪ Public opinion surveys conducted by PCH in 2008 and 2012 ▪ Survey of applicants ▪ Ministerial correspondence ▪ Ministerial funding announcements ▪ Key informant interviews ▪ Audit organisations (AAM, BPA)

Core Issue	Questions	Indicator	Data Source / Collection Method
		tablet and mobile devices) on the magazine and community newspaper industries <ul style="list-style-type: none"> ▪ How does it affect circulation? ▪ How circulation being tracked? ▪ How is it converted into dollars? 	
Issue 2: Alignment with Government Priorities	1. To what extent are the CPF's objectives and expected results aligned with: <ul style="list-style-type: none"> (i) federal government priorities? (ii) PCH strategic outcomes? 	<ul style="list-style-type: none"> ▪ Extent to which CPF objectives and expected results are linked to the federal government priorities ▪ Extent to which CPF objectives and expected results support departmental strategic objectives (PAA) 	<ul style="list-style-type: none"> ▪ Literature review ▪ Document review (Speech from the Throne, Budget commitments, ministerial speeches, Program documents, etc.) ▪ Key informant interviews
Issue 3: Alignment with federal roles and responsibilities	1. Is the delivery of these programs an appropriate role or responsibility for the federal government?	<ul style="list-style-type: none"> ▪ Evidence of the appropriateness and legitimacy of the role and responsibility of Canadian government to the periodical publishing industry 	<ul style="list-style-type: none"> ▪ Key informant interviews ▪ Literature review ▪ Document and file review
Performance (effectiveness, efficiency, and economy)			
Issue 4: Achievement of expected outcomes	1. To what extent has the CPF helped maintain or increase diversity (in subject-matter, size, targeted groups) of Canadian magazines and community newspapers	<ul style="list-style-type: none"> ▪ Number of new titles that apply to the program ▪ Breadth of titles supported by category such as language, region, size and periodical type ▪ Impact of Aid to Publishers (ATP) on targeted groups ▪ Industry perspectives on the capacity of the program in supporting the achievement of this objective 	<ul style="list-style-type: none"> ▪ Program database ▪ Key informant interviews ▪ Survey of applicants
	2. To what extent has CPF support helped to maintain or increase distribution of Canadian magazines and	<ul style="list-style-type: none"> ▪ Circulation figures over time (both CPF recipients and non-recipients) 	<ul style="list-style-type: none"> ▪ Program database ▪ Audit organisations

Core Issue	Questions	Indicator	Data Source / Collection Method
	community newspapers?	<ul style="list-style-type: none"> ▪ Industry perspectives on the capacity of the program in supporting the achievement of this objective 	<p>(AAM, BPA)</p> <ul style="list-style-type: none"> ▪ Survey of applicants ▪ Key informant interviews
	3. To what extent has the CPF contributed to more competitive Canadian magazine and community newspaper industries?	<ul style="list-style-type: none"> ▪ Long term number and diversity of magazine and community newspaper publishers ▪ Financial indicators for magazine and community newspaper publishers such as revenue, expenses, profit margin, advertising pages (# and %) and changes in business expenses due to alternative distribution methods. ▪ Market share of Canadian magazines ▪ Training and skills development (CI: total funding, number of projects) ▪ Industry perspectives on the capacity of the program in supporting the achievement of this objective 	<ul style="list-style-type: none"> ▪ Program database ▪ Audit organisations (AAM, BPA) ▪ Statistics Canada ▪ Industry Canada ▪ Survey of applicants ▪ Key informant interviews ▪ Financial reports of public companies
(Applies only for Aid to Publishers component)	4.To what extent the CPF helped lower business costs for Canadian magazines and community newspapers Are there editors/potential recipients that the program is not reaching? If so, who are they?	<p>Lowered business costs for Canadian magazines and community newspapers</p> <ul style="list-style-type: none"> ▪ Comparison of business costs with and without CPF subsidy by category of publication (magazines and community newspapers) and by type (digital and print publications) ▪ Index of outputs needed to achieve expected outcomes 	<ul style="list-style-type: none"> ▪ Program databases ▪ Key Informant interviews ▪ Audit organisations (AAM, BPA) ▪ Survey of applicants
(Applies only for Business Innovation component)	5. To what extent has the CPF contributed to innovation and business development in small and	<ul style="list-style-type: none"> ▪ Number of applications received ▪ Number of projects funded ▪ Total allocated funds 	<ul style="list-style-type: none"> ▪ Case studies ▪ Program databases ▪ Survey of

Core Issue	Questions	Indicator	Data Source / Collection Method
	<p>medium sized magazines? Do the current reporting methods for BI allow for long-term results to be identified? If not, what reporting requirements would better serve the program in telling the results story?</p>	<ul style="list-style-type: none"> ▪ Whether the objectives were met ▪ Evidence of the effectiveness of the support by tracking projects funded since 2010-11 to observe changes over time in certain metrics (for e.g. circulation, revenues, web site visits, downloads) ▪ Money invested vs results in late stages of projects funded and ratio of outputs needed to achieve expected outcomes <p>Industry perspectives on the capacity of the program in supporting the achievement of this objective</p>	<p>applicants</p> <ul style="list-style-type: none"> ▪ Key informant interviews
(Applies only for Collective Initiatives component)	<p>6. To what extent has the CPF contributed to the overall sustainability of the magazine and community newspaper industries through collective projects? Do the current reporting methods for CI allow for long-term results to be identified? If not, what reporting requirements would better serve the program in telling the results story?</p>	<ul style="list-style-type: none"> ▪ Number of applications received ▪ Total allocated funds ▪ Number of projects funded ▪ Objectives of the projects ▪ Whether the objectives were met ▪ # of members who benefited from organizations' projects ▪ Range of activities funded and amounts disbursed ▪ Evidence of the effectiveness of the support by tracking projects funded since 2010-11 to observe changes over time in certain metrics (for e.g. circulation, revenues, web site visits, downloads) ▪ \$ invested vs results in late stages of projects funded and ratio of outputs needed to achieve expected outcomes 	<ul style="list-style-type: none"> ▪ Case studies ▪ Program databases ▪ Survey of applicants ▪ Key informant interviews

Core Issue	Questions	Indicator	Data Source / Collection Method
		<ul style="list-style-type: none"> ▪ Industry perspectives on the capacity of the program in supporting the achievement of this objective 	
<p>Issue 5: Demonstration of efficiency and economy</p>	<p>1. Are the resources dedicated to programs being used economically and efficiently to maximize achievement of outcomes? 2. Are there alternative approaches to achieving similar results?</p>	<ul style="list-style-type: none"> ▪ Programs resources and costs ▪ Cost breakdown by components ▪ Administrative costs vs. total costs ▪ Number of FTEs ▪ Planned vs. utilized financial resources ▪ Program delivery costs (i.e. costs per file (# of applications received)) ▪ Program delivery costs compared to outcomes ▪ Program delivery costs compared to other similar programs ▪ Extent to which programs and/or program components duplicate or complement one another or other programs delivered through other organizations or levels of government ▪ Optimal use of human and financial resources of the 3 Cultural industries programs (CPF, Canada Music Fund and CBF) ▪ Optimal efficiency of the 3 Cultural industries programs (CPF, Canada Music Fund and CBF) delivery processes (e.g. project vs formula funding vs third-party delivery) ▪ Evidence of more cost-effective alternative approaches to meet program's objectives 	<ul style="list-style-type: none"> ▪ Document, file and internal data review ▪ Key informant interviews ▪ Literature review

Core Issue	Questions	Indicator	Data Source / Collection Method
		<p>(programs, delivery mechanisms at PCH or at other federal departments or at the municipal, provincial/territorial, national or international levels)</p> <ul style="list-style-type: none"> ▪ Evidence of efficiency gains through merger of program delivery of the 3 cultural industries programs 	
Issue 6 : Others	1. Does the CPF meet the requirements of section 41 of the <i>Official Languages Act</i> ?	<ul style="list-style-type: none"> ▪ Distribution of funding to official language minority communities ▪ Perspectives of recipients in official language minority communities 	<ul style="list-style-type: none"> ▪ Document, file and internal data review ▪ Key informant interviews
	2. Is an adequate performance measurement strategy in place to account for the program's results?	<ul style="list-style-type: none"> ▪ Current monitoring processes and use of performance information ▪ Adequacy of performance measurement indicators, mechanisms and systems in place 	<ul style="list-style-type: none"> ▪ Document, file and internal data review ▪ Key informant interviews
	3. Does the CPF have any unexpected results?	<ul style="list-style-type: none"> ▪ Evidence of positive and negative program results (e.g. professionalization of industries, barriers to innovation, dependencies) ▪ High level of applications rejected under BI. 	<ul style="list-style-type: none"> ▪ Document, file and internal data review ▪ Survey of applicants ▪ Key informant interviews ▪ Case studies

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Appendix C: Logic Model

The evaluation Terms of Reference were developed based on the following logic model.

The expected results of the CPF, as per the program logic model below, support the Department of Canadian Heritage strategic outcome 1: “Canadian artistic expressions and cultural content are created and accessible at home and abroad” of the 2010-11 Program Activity Architecture (PAA).

CPF Logic Model (CPF Integrated RMAF/RBAF, November 2011)

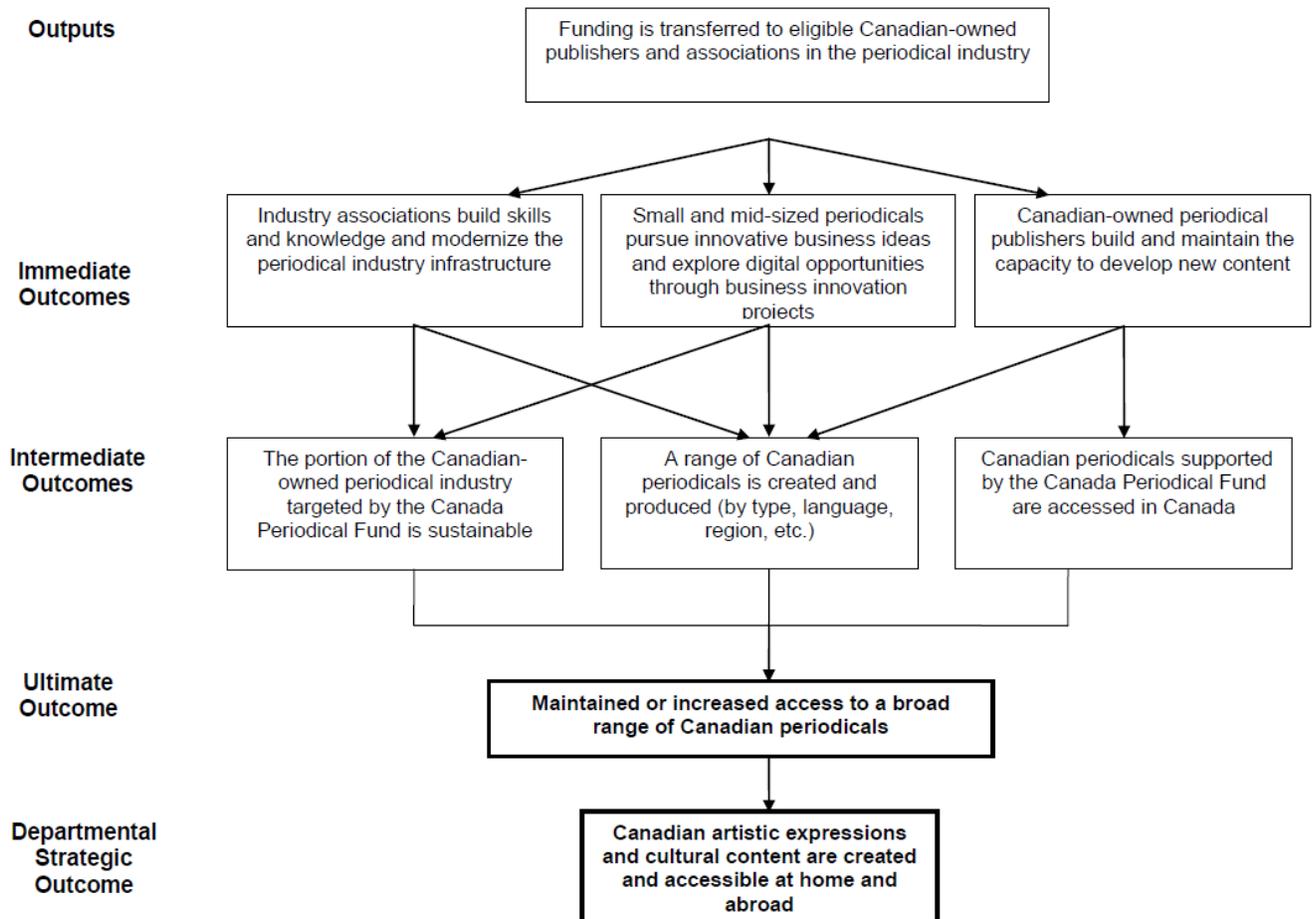


Table: Expected results as in the TB approved Terms and Conditions (2009), Annex B

<p>Immediate Results</p> <p>Lower business costs for Canadian magazines and community newspapers; Increased number of innovation and developmental projects undertaken by small and medium-sized publishers; Increased number of industry development initiatives undertaken by magazine and community newspaper associations.</p>
<p>Intermediate Results</p> <p>Maintain or increase distribution of Canadian magazines and community newspapers; Maintain or increase competitiveness of Canadian magazines and community newspapers; Maintain or increase the diversity (in subject-matter, size, targeted groups) of Canadian magazines and community newspapers.</p>
<p>Ultimate Outcome</p> <p>Canadian artistic expressions and cultural content are created and accessible at home and abroad. (SO1 - PAA)</p>

Appendix D: TBS Core Evaluation Issues

The Government of Canada requires that evaluations support the following:

- Accountability, through public reporting on results;
- Expenditure management;
- Management for results; and
- Policy and program improvement

The core evaluation issues used to guide this evaluation are:

Relevance	
Issue #1: Continued Need for program	Assessment of the extent to which the program continues to address a demonstrable need and is responsive to the needs of Canadians
Issue #2: Alignment with Government Priorities	Assessment of the linkages between program objectives and (i) federal government priorities and (ii) departmental strategic outcomes
Issue #3: Alignment with Federal Roles and Responsibilities	Assessment of the role and responsibilities for the federal government in delivering the program
Performance (effectiveness, efficiency and economy)	
Issue #4: Achievement of Expected Outcomes	Assessment of progress toward expected outcomes (incl. immediate, intermediate and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcomes
Issue #5: Demonstration of Efficiency and Economy	Assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes

Appendix E: Groups of interviewees consulted

Interviews were conducted with 32 individuals, including:

- CPF and PCH staff (11 individuals)
- ATP recipients (10 organizations)
- BI recipients (2 organizations)
- Industry associations/CI recipients (8 organizations)
- Other stakeholders (1 organization)

Appendix F: Tables and Graphs

Table F1: Budgeted and Actual Expenditures, Canada Periodical Fund 2010-11 to 2014-15

	Reference Level						Actuals						Variance								
	Vote 1			Vote 5			Total	Vote 1			Vote 5			Total	Vote 1			Vote 5			Total
	Salary	EBP	O&M	Grants	Contributions	Salary		EBP	O&M	Grants	Contributions	Salary	EBP		O&M	Grants	Contributions				
2010-11	3,123,500	624,700	636,700	72,775,054	1,999,544	79,159,498	2,770,584	554,116.80	- 211,471	69,595,441	3,118,917	75,827,588	352,916	70,583	848,171	3,179,613	- 1,119,373	3,331,910			
2011-12	3,123,500	624,700	396,700	58,015,054	1,999,544	64,159,498	3,070,148	614,029.60	45,709	69,050,046	3,626,177	76,406,110	53,352	10,670	350,991	- 11,034,992	- 1,626,633	12,246,612 ⁵³			
2012-13	3,123,500	624,700	636,700	72,775,054	1,999,544	79,159,498	2,531,921	506,384.20	8,904	69,975,611	2,215,848	75,238,668	591,579	118,316	627,796	2,799,443	- 216,304	3,920,830			
2013-14	3,123,500	624,700	636,700	72,775,054	1,999,544	79,159,498	2,611,727	522,345.40	- 228,811	67,847,089	5,277,291	76,029,641	511,773	102,355	865,511	4,927,965	- 3,277,747	3,129,857			

Source: PCH Financial Administrative Services, 18 Feb 2015

⁵³ Reference Levels are stated as of the beginning of the fiscal year. An amount of \$15M (\$240,000 in Vote 1 and \$14,760,000 in Vote 5) was received later in 2011-12 (through the Supplementary Estimates b), covering the variance stated here.

Table 4.1: Which of the following needs were central to your decision to apply for ATP funding?

	Magazines	Newspapers
<i>n</i> =	330	215
Maintain or increase circulation	81%	61%
Maintain or increase circulation revenue	46%	31%
Increase digital presence	46%	19%
Maintain or increase advertising revenue	42%	19%
Offset business and distribution costs	75%	83%
Offset editorial costs	63%	39%
Maintain or improve market share	46%	17%
Maintain or increase profitability	51%	36%
Increase sustainability of the publication	79%	73%
Increase sustainability of your organization	53%	27%
Other, please specify	20%	6%

Source: Survey of ATP applicants, 2014

Table 4.2: Which of the following reasons were central to your decision to apply for BI funding?

	Magazines	Newspapers
<i>n</i> =	71	25
Maintain or increase circulation	66%	56%
Maintain or increase circulation revenue	54%	28%
Increase digital presence	72%	52%
Maintain or increase print advertising revenue	41%	12%
Maintain or increase digital advertising revenue	38%	44%
Increase skills and knowledge of staff	44%	20%
Increase ability to hire additional staff where needed	37%	44%
Maintain or increase market share	56%	52%
Maintain or increase profitability	51%	44%
Increase capacity for business development and innovation	61%	52%
Other, please specify	8%	16%

Source: Survey of BI recipients, 2014. Multiple response question. Columns do not total 100 percent.

Table 4.3: Should Aid to Publishers support be extended to include digital-only periodicals?

	Yes	No
Overall (n=511)	32%	42%
Type		
Magazines (n=311)	44%	32%
Newspapers (n=200)	13%	57%
Funding Status		
Recipients (both programs) (n=39)	28%	49%
Recipients ATP only (n=435)	31%	43%
Rejected (both programs) (n=37)	49%	27%

Source: Survey of ATP/BI recipients, 2014. Table excludes respondents answering don't know (26 percent); totals may not equal 100 percent due to rounding.

Table 5.1a: To what extent has your periodical experienced a change since the year you first applied to ATP?

Magazines

	Drop 20+%	Drop 6%-20%	Within 5%	Increase 6%-20%	Increase 20+%
Circulation (n=285)	9%	19%	47%	18%	7%
Circulation revenue (n=67)	1%	27%	39%	25%	7%
Digital presence (n=219)	0%	2%	24%	47%	27%
Advertising revenue (n=262)	11%	16%	37%	29%	7%
Ability to hire additional staff where needed (n=234)	3%	6%	59%	24%	8%
Editorial costs (n=271)	1%	6%	51%	35%	7%
Distribution costs (n=279)	4%	4%	47%	32%	14%
Website and digital presence costs (n=228)	1%	1%	32%	45%	21%
Marketing and other costs (n=257)	4%	3%	40%	44%	9%
Market share (n=169)	2%	4%	62%	24%	8%
Profitability (n=263)	11%	16%	38%	29%	6%

Source: survey of ATP applicants, 2014

Table 5.1b: To what extent has your periodical experienced a change since the year you first applied to ATP?

Community newspapers

	Drop 20+%	Drop 6%-20%	Within 5%	Increase 6%-20%	Increase 20+%
Circulation (n=186)	6%	37%	44%	11%	2%
Circulation revenue (n=179)	6%	30%	46%	17%	1%
Digital presence (n=137)	0%	3%	46%	34%	17%
Advertising revenue (n=175)	11%	29%	40%	18%	1%
Ability to hire additional staff where needed (n=152)	9%	16%	57%	17%	2%
Editorial costs (n=164)	2%	6%	54%	32%	6%
Distribution costs (n=181)	6%	10%	24%	45%	14%
Website and digital presence costs (n=141)	1%	2%	52%	28%	17%
Marketing and other costs (n=149)	1%	3%	66%	25%	5%
Market share (n=129)	2%	9%	74%	13%	2%
Profitability (n=166)	10%	29%	43%	16%	3%

Source: survey of ATP applicants, 2014

Table 5.2: Number of applications received for CPF components

Year	ATP	BI	CI
2010-2011	1083	73	39
2011-2012	983	86	25
2012-2013	935	96	32
2013-2014	906	71	22
Total	3907	326	118
Average	977	82	30

Source: CPF databases, presentations, Value for Money analysis (updated October 2014).

Table 5.3: To what extent has your periodical experienced change since the year you first applied to BI? To what extent do you attribute that change to BI?

	Drop 20+%	Drop 6%-20%	Within 5%	Increase 6%-20%	Increase 20+%	Some Attribution	Great Attribution
Circulation (n=58)	5%	9%	29%	29%	9%	59%	35%
Circulation revenue (n=57)	5%	18%	21%	32%	2%	57%	21%
Digital presence (n=58)	0%	2%	21%	21%	40%	7%	80%
Print advertising revenue (n=55)	7%	7%	44%	15%	5%	88%	13%
Digital advertising revenue (n=50)	2%	0%	34%	22%	16%	20%	67%
Skills and knowledge of staff (n=56)	0%	0%	18%	30%	30%	38%	46%
Ability to hire additional staff where needed (n=54)	7%	2%	30%	28%	9%	31%	69%
Market share (n=57)	5%	2%	35%	26%	7%	50%	44%
Profitability (n=54)	7%	6%	39%	17%	4%	50%	50%
Capacity for business development and innovation (n=57)	2%	5%	23%	33%	18%	32%	68%

Source: Survey of BI applicants, 2014

Table 5.4a: Number of titles supported by ATP, by funded copies (2011-2014)

	2011-2012		2012-2013		2013-2014	
	# of titles	% of titles	# of titles	% of titles	# of titles	% of titles
<i>Magazines</i>						
1,000,001+	33	7%	31	7%	29	7%
500,001 - 1,000,000	25	5%	22	5%	22	5%
100,001 - 500,000	95	20%	91	20%	90	22%
25,001 - 100,000	167	35%	158	35%	148	35%
2,501 - 25,000	151	32%	149	33%	129	31%
0 - 2,500	2	0%	0	0%	0	0%
Total magazines	473	100%	451	100%	418	100%
<i>Newspapers</i>						
1,000,001+	8	2%	9	2%	9	2%
500,001 - 1,000,000	3	2%	2	0%	1	0%
100,001 - 500,000	180	43%	163	39%	147	36%
50,001 - 100,000	135	32%	135	33%	132	33%
30,001 - 50,000	57	14%	59	14%	68	17%
2,500 - 30,000	39	9%	45	11%	46	11%
Total newspapers	422	100%	413	100%	403	100%
Total (all titles)	895	100%	864	100%	821	100%

Source: ATP Executive Summary and program database, 2011-2014. Data by funded copy is not available for 2010-2011.

Table 5.4b: Share of funding of ATP-funded titles, by funded copies (2011-2014)

	2011-2012		2012-2013		2013-2014	
Funded copies	Share of Funding (\$ million)	Share of funding (%)	Share of Funding (\$ million)	Share of funding (%)	Share of Funding (\$ million)	Share of funding (%)
<i>Magazines</i>						
1,000,001+	\$28.8	54%	\$28.7	53%	\$28.4	52%
500,001 - 1,000,000	\$8.5	16%	\$8.1	15%	\$8.4	15%
100,001 - 500,000	\$8.4	16%	\$9.8	18%	\$9.9	18%
25,001 - 100,000	\$5.3	10%	\$5.6	10%	\$6.2	11%
2,501 - 25,000	\$1.9	4%	\$2.2	4%	\$2.3	4%
0 - 2,500	\$0.02	0%	\$0	0%	\$0	0%
Total magazines	\$53.0	100%	\$54.4	100%	\$55.0	100%
<i>Newspapers</i>						
1,000,001+	\$5.9	34%	\$5.5	33%	\$5.2	32%
500,001 - 1,000,000	\$0.6	3%	\$0.4	3%	\$0.3	2%
100,001 - 500,000	\$7.8	44%	\$7.1	43%	\$7.0	43%
50,001 - 100,000	\$2.4	14%	\$2.5	15%	\$2.7	17%
30,001 - 50,000	\$0.6	3%	\$0.6	4%	\$0.8	5%
2,500 - 30,000	\$0.2	1%	\$0.3	2%	\$0.3	2%
Total newspapers	\$17.5	100%	\$16.4	100%	\$16.2	100%
Total (all titles)	\$70.5	100%	\$70.8	100%	\$71.3	100%

Source: ATP Executive Summary and program database, 2011-2014. Data by funded copy is not available for 2010-2011.

Table 5.5: Number of titles supported by ATP, by region

Province/Territory	2010-2011		2011-2012		2012-2013		2013-2014	
	n	%	n	%	n	%	n	%
<i>Magazines</i>								
Alberta	16	3%	17	4%	17	4%	16	4%
British Columbia	32	7%	30	6%	30	7%	34	8%
Manitoba	20	4%	21	4%	22	5%	20	5%
New Brunswick	3	1%	4	1%	6	1%	5	1%
Newfoundland & Labrador	6	1%	5	1%	5	1%	5	1%
Northwest Territories	1	0%	1	0%	1	0%	1	0%
Nova Scotia	5	1%	6	1%	4	1%	4	1%
Nunavut	0	0%	0	0%	0	0%	0	0%
Ontario	224	46%	216	46%	206	46%	194	46%
Prince Edward Island	0	0%	0	0%	0	0%	1	0%
Québec	171	35%	167	35%	155	34%	133	32%
Saskatchewan	6	1%	6	1%	5	1%	5	1%
Yukon	0	0%	0	0%	0	0%	0	0%
Total Magazines	484	100%	473	100%	451	100%	418	100%
<i>Newspapers</i>								
Alberta	63	14%	64	15%	58	14%	63	16%
British Columbia	48	11%	46	11%	43	10%	41	10%
Manitoba	34	8%	26	6%	25	6%	25	6%
New Brunswick	11	2%	8	2%	9	2%	9	2%
Newfoundland & Labrador	12	3%	13	3%	13	3%	13	3%
Northwest Territories	1	0%	1	0%	1	0%	5	1%
Nova Scotia	24	5%	25	6%	24	6%	24	6%
Nunavut	0	0%	0	0%	0	0%	0	0%
Ontario	152	34%	146	35%	149	36%	139	34%
Prince Edward Island	3	1%	2	0%	2	0%	2	0%
Québec	29	7%	24	6%	24	6%	22	5%
Saskatchewan	64	14%	65	15%	64	15%	59	15%
Yukon	2	0%	2	0%	1	0%	1	0%
Total Newspapers	443	100%	422	100%	413	100%	403	100%
Total (all titles)	927	100%	895	100%	864	100%	821	100%

Source: ATP program database, 2010-2014

Table 5.6: Number of titles supported by ATP, by periodical type

Periodical Type	2011-2012		2012-2013		2013-2014	
	n	%	n	%	n	%
Magazines						
Consumer – general interest	112	24%	104	23%	92	22%
Consumer – special interest	204	43%	202	45%	173	41%
Trade (business)	100	21%	90	20%	80	19%
Farm	10	2%	10	2%	11	3%
Religious	45	10%	40	9%	36	9%
Scholarly	2	0%	5	1%	2	0%
Arts and Literary	n/a	n/a	n/a	n/a	24	6%
Total magazines	473	100%	451	100%	418	100%
Newspapers						
Consumer – general interest	376	89%	371	90%	359	89%
Consumer – special interest	21	5%	20	5%	23	6%
Trade (business)	2	0%	1	0%	1	0%
Farm	6	1%	6	1%	6	1%
Religious	17	4%	15	4%	14	3%
Scholarly	0	0%	0	0%	0	0%
Arts and Literary	n/a	n/a	n/a	n/a	0	0%
Total newspapers	422	100%	413	100%	403	100%
Total (all titles)	895	100%	864	100%	821	100%

Source: ATP program database, 2011-2014. As data on periodical type is missing for many titles in 2010-11, this year has been excluded from the table.

Table 5.7: Number of advertising pages across ATP recipients' publications, 2011-12 to 2013-14

	2011-12	2012-13	2013-14
# of Advertising Pages			
Magazines	Mean: 63 Median: 42	Mean: 21 Median: 14	Mean: 22 Median: 15
Community newspapers	Mean: 72 Median: 35	Mean: 12 Median: 9	Mean: 10 Median: 8
% of Advertising Pages			
Magazines	27%	27%	27%
Community newspapers	42%	40%	39%

Source: ATP databases, 2011-12 to 2013-14 and ATP executive summaries.

Table 5.8: Advertising Volume (Reported Actuals) (\$ Millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Television	2,827	2,964	3,014	3,241	3,299	3,393	3,104	3,391	3,652	3,578	3,387
Daily newspapers	1,529	2,611	2,659	2,745	2,722	2,670	2,216	2,316	2,216	2,261	1,909
Community newspapers	909	961	1,016	1,094	1,154	1,211	1,213	1,175	1,211	1,288	1,027
Radio	1,171	1,209	1,316	1,391	1,468	1,558	1,470	1,517	1,576	1,585	1,600
General magazines ⁵⁴	610	647	665	682	718	692	590	606	593	573	558
Out-of-home	284	302	344	370	422	463	416	482	484	486	514
Internet	237	364	562	900	1,241	1,602	1,822	2,232	2,674	3,085	3,525
Total Advertising Spent (\$)	8,568	9,059	9,576	10,313	10,873	11,408	10,618	11,473	12,017	12,469	12,258

⁵⁴ These figures refer only to general interest magazines, also known as consumer magazines. In this report, advertising revenue generated by B2B magazines were not included. B2B ad revenues were subsumed within a “Miscellaneous” category, which was defined as “Trade & Other Print”.

Table 5.9: Total (combined) circulation figures of ATP recipients and non-recipients (funded versus unfunded applicants)

	Number of copies		
	Funded applicants (Approved)	Unfunded applicants (Rejected/withdrawn)	Total Circulation
2010-11	n/a	n/a	n/a
magazines	n/a	n/a	n/a
community newspapers	n/a	n/a	n/a
2011-12	213,464,890	7,921,429	221,386,319
magazines	150,298,986	2,653,711	152,952,697
community newspapers	63,165,904	5,267,718	68,433,622
2012-13	199,573,935	12,398,547	211,972,482
magazines	139,766,476	9,991,653	149,758,129
community newspapers	59,807,459	2,406,894	62,214,353
2013-14	182,968,701	14,325,616	197,294,317
magazines	126,717,960	3,100,157	129,818,117
community newspapers	56,250,741	11,225,459	67,476,200

Source: ATP database, 2010-11 to 2013-14. Total circulation figures are unavailable for some funded applicants in 2010-11, and no data is available on unfunded applicants for that year.

Table 5.11: Rejection rate of applications under BI

Year	# of Projects Rejected	# of Applications Received	Rejection rate (%)
2010-2011	30	73	41%
2011-2012	33	86	38%
2012-2013	33	96	34%
2013-2014	18	71	25%

Source: BI databases and reports, 2010-2014. Number of projects rejected includes projects not recommended by the project and recommended projects not approved by the Minister's Office.

Table 5.12: Number of unique magazine and community newspaper publishers supported by ATP

	2010-11	2011-12	2012-13	2013-14
Magazines	290	267	264	263
Community newspapers	240	225	225	217
Total publishers	530	492	489	480

Source: ATP database, 2010-2014.