

objectives: to encourage a well informed and better educated public through a reduction in subscription rates, to encourage a financially healthy Canadian publishing industry, and to improve access by all individuals, whether residing in remote areas or not, to Canadian cultural products.

The subsidy provides preferential second-class postal rates for newspapers and periodicals in accordance with a six-level rate structure which includes the following categories of publications: daily newspapers, weekly newspapers, subscriber-based periodicals, controlled-circulation periodicals, foreign periodicals, and foreign periodicals printed in Canada. In order to benefit from the subsidy, publishers have to meet the individual criteria which Canada Post sets for the six different rate levels. Also eligible for subsidy are publishers, wholesalers and retailers of books, and public libraries. The rate structure is tiered so that small mailers pay lower average postage than larger publishers.

The Publications Distribution Assistance Program (PDAP), as the subsidy program is known, is essentially the responsibility of the Department of Communications (DOC). That Department sets the overall policy of the program and determines the concessionary rates applicable to the various publishers' mailing categories. Once the policy guidelines have been established, however, Canada Post administers the subsidy.

In the April 1989 budget, the federal government announced that it would reduce the annual subsidy by \$10 million that fiscal year and by \$45 million per year beginning in 1990-1991. The intent was to weed out from a universal subsidy program any spending that is not truly required, while keeping the subsidy in place for the majority of publications which would experience financial difficulty without it.

In December 1989, the federal government decided to eliminate the universal postal subsidy program completely by 1992-1993 and replace it with a direct subsidy. The new program, to be administered by DOC, would have a budget of \$110 million, or one-half of the present program's budget.

The publishing industry is extremely concerned about any significant reduction in the postal subsidy. It claims that its pre-tax profit margins, at less than 4%, are quite low and that large increases in second-class postage rates would have a devastating effect on its members' financial performance. According to the Canadian Magazine Publishers' Association (CMPA), a majority of the organization's members either lose money or break even. Without the subsidy, many Canadian paid-circulation magazines would not survive; those that did would see their distribution reduced. Even many of the larger publications would not be unscathed.

As for passing increased postal costs on to customers and/or advertisers, the Association has argued in the past that its room to manoeuvre is quite limited, given that its