

## C. Canadian Magazine Industry<sup>9</sup>

15. Knowledge of the fundamentals of the magazine industry is essential to understanding the measures at issue. Magazines consist of two elements: editorial (including articles and illustrations) and advertisements. Editorial content attracts readers. Readers attract advertisers. The sale of advertising space to advertisers whereby the advertiser pays for the right to communicate with the reader is a service. Advertising revenue pays for the production of editorial content. Thus, magazines have two principal streams of revenue, circulation and advertisements.

### 1. Two Streams of Revenue

16. Magazines derive their revenues predominantly from the sale of advertising space and from the circulation of the magazine. Advertising revenue is by far the most important revenue stream for Canadian magazines, accounting for 60 per cent of total revenue.<sup>10</sup> Circulation revenue accounts for 33 per cent of total revenue, or \$287 million.<sup>11</sup> Advertising revenue is crucial for the Canadian magazine industry, allowing the publisher to provide the magazine at an affordable cost or, in some cases, free of charge.

17. There is a direct correlation between circulation, advertising revenue and editorial content. The larger the circulation, the more advertising a magazine can attract. With greater advertising revenue, a publisher can afford more to spend on editorial content. The more a publisher spends, the more attractive the magazine is likely to be to its readers, resulting in circulation growth. Similarly, a loss of advertising revenue will produce a "downward spiral". Less advertising entails less editorial, a reduction in readership and circulation and a diminished ability to attract advertising.

18. Magazines can be sold on newsstands, or through subscriptions, or distributed at no cost to selected consumers. Canadian English-language publications face tough competition on newsstands; they account for only 18.5 per cent of English-language periodicals distributed on newsstands,<sup>12</sup> where space is dominated by foreign publications. Subscriptions are the main source of circulation revenue for most Canadian magazines.

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9. The portrait of the industry as presented by the *Task Force Report* remains essentially the same as the updated (1994-95) data presented here.

10. Statistics Canada, Education, Culture & Tourism Division, Culture Statistics, *Periodical Publishing 1994-95* (Ottawa: Statistics Canada, 1996) at 1 (Exhibit E).

11. *Ibid.*

12. *Task Force Report*, *supra* note 4 at 10.