

publications are extremely price-sensitive. If this is indeed the case, many publishers would have to absorb incremental costs, or somehow adjust their operations. While some publishers would cease operations, others would attempt to reduce their operating costs and in the process possibly reduce product quality.

Canadian publishers are limited in their ability to change distribution methods. Owing largely to the postal subsidy, most Canadian magazines have abandoned newsstands as a distribution vehicle, with the result that the American publications now heavily dominate this sales venue. Thus, Canadian publications are almost totally dependent on the postal service, or some private equivalent. Of course, in rural Canada sending publications through the mail is in many instances the only possible method of distribution, since rural customers do not have ready access to newsstands.

While the importance of some subsidy to the publishing industry cannot be denied, it can also be argued that during the present period of financial restraint the government should be carefully re-examining such universal subsidy programs as the PDAP. Such programs lead to an absence of accountability, and also benefit large-circulation periodicals such as *Time* and *Maclean's*. Given the current size of the national debt, do these largely profitable magazines deserve to be subsidized?

The publications subsidy program was subjected to considerable scrutiny in the mid-1980s, having been reviewed by two study teams of the Nielsen Task Force on Program Review as well as by DOC itself. Of particular interest are the major findings of the latter's 1986 program evaluation study, which found the program to be "no longer an appropriate or, at \$220 million a year, cost-effective way to pursue any objectives whether economic, communicative, or cultural." The study also concluded that the program represented a form of regressive income transfer since its major beneficiaries were those readers with higher incomes and greater education.

We are generally supportive of the government's move to replace this universal postal subsidy program with a more direct needs-based subsidy. Only in this way can cost savings and accountability be ensured. We are concerned, however, about the effect of this policy shift on rural weekly newspapers and small circulation consumer magazines, for which any appreciable change in postal costs could prove catastrophic. The Committee therefore recommends that:

**The Government of Canada endeavour to provide publishers of rural community-owned newspapers and small-circulation magazines with adequate financial support.**

The CMPA has also expressed its concerns that the Canada Post cost estimates on which the subsidy is based may be overstated. In its 1987 study of the subsidy, "Severing