

Executive Summary

1.1 DAVP empanels newspapers that meet the parameters set out in the Advertisement Policy of the Government. The newspapers/ journals are classified into three broad categories: Small, with a circulation of upto 25,000 copies per publishing day; Medium, between 25,001 and 75,000 copies per publishing day and Big, with a circulation of above 75,000 copies per publishing day. DAVP, until May 1967, used to negotiate rates with the newspapers/ periodicals. As per the policy decision announced in the Parliament on 30th May, 1967, newspapers and periodicals were free to decide their own advertisement rates. While the DAVP discontinued negotiating rates, card rates of newspapers continued to be examined at the time of renewal of rate contract or entering into new contracts.

[Chapter 1, Para 1.2]

1.2 The Public Accounts Committee (PAC) of Parliament recommended in their 173rd Report published in 1975, the laying down of uniform rates for DAVP advertisements. To implement the recommendations of PAC, the Ministry of Information & Broadcasting in 1976 constituted an Inter-Ministerial Advertisement Rate Structure Committee.

[Chapter 1, Para 1.2]

1.3 Inter-Ministerial Advertisement Rate Structure Committee

- *The First Inter-Ministerial Advertisement Rate Structure Committee* submitted its report in 1977. For each group of newspapers the rate structure was normative. The rate structure fixed in 1977 was revised for escalation in the cost of newsprint and wages in 1981, 1985, 1989, 1990 and 1991.
- *The Second Rate Structure Committee* submitted its report in 1993 and the recommendations became operative from 1st April 1995. The Committee recommended normative cost structure, rationalized the weightage factors and recommended uniform weightage both for English and language newspapers.
- *The Third Rate Structure Committee* submitted its report in December 1998.
- *The Fourth Rate Structure Committee* submitted its report in May 2002. The Committee reduced the slabs for rate purposes from 21 to 16 for circulation up to one-lakh copies. Above one lakh circulation rate would increase

proportionately with every 1000 increase in circulation.

- *The Fifth Rate Structure Committee* submitted its report in 2005 recommending rate of Rs. 114.31 per column centimeter. The Committee further reduced slabs from 16 to 10 for circulation up to 1,00,000. Above one lakh circulation, rate would increase proportionately with every 1,000 increase in circulation.

[Chapter 1, Para 1.3]

- 2.1 The Government in 2008 acceded to the demand of newspapers for escalation and enhanced existing advertisement rates by 24% w.e.f. 1st September, 2008, in consultation with the Office of Chief Adviser Cost, Ministry of Finance.

[Chapter 2, Para 2.1.2]

- 2.2 Subsequently, a *Fiscal Stimulus Package* was announced by Government of India for print media on 26th February, 2009 for a period upto 30th June, 2009 (subsequently extended to 31st December, 2009) announcing waiver of 15% agency commission and 10% ad-hoc increase in DAVP advertisement rates as a special relief. So far as the information from DAVP reveals, only seven newspapers/ publishers applied for the benefit of 10% increase in rate under special relief. Out of these seven, DAVP has conceded to the claim of only three newspapers/ publishers who could supply the requisite documents/ information. Thus special relief of 10% increase was practically not availed of by the newspapers. From 1st January, 2010 the *fiscal stimulus package* was discontinued.

[Chapter 2, Para 2.1.3]

- 2.3 Government of India, Ministry of Information & Broadcasting constituted the present Rate Structure Committee in 2008 to carry out a comprehensive review of existing Rate Structure for DAVP Advertisements and to suggest a new Rate Structure Formula. The Committee was requested to examine whether combined rates to multi-edition newspapers are feasible in place of separate rate for each edition and whether it is feasible to replace cost and circulation based DAVP rates by commercial card rates.

[Chapter 2, Para 2.2]

- 2.4 The Committee met frequently during the period from 11th December, 2008 to 31st May, 2010. The Committee discussed in detail all aspects related to DAVP

Advertisement Rate Structure. It gave several opportunities to the Indian Newspapers Society (INS) to represent their position. The Committee heard their views and representations and suggestions of other newspaper associations. The Committee also examined feasibility of replacing cost and circulation based DAVP rates by commercial card rates. The Committee made an in-depth analysis of cost structure of newspapers, their profitability and other relevant factors.

[Chapter 2, Para 2.3]

- 3.1 In order to collect data from the newspapers, a Questionnaire was circulated in March 2009 to 4,605 newspapers/ periodicals seeking data on their income and expenditure, consumption of newsprint, ink and plates. They were also given an opportunity to give their comments on the existing formula and suggest a new formula alongwith justification. There was, however, a very poor response to the Questionnaire. Replies were received from 49 newspapers/ periodicals only. Data gap was identified and intimated to these 49 newspapers individually.

[Chapter 3, Para 3.1]

- 3.2 Out of the 49 Newspapers/ Publishers relevant information sufficient for the propose of the study was received only from 22 newspapers and publications. The Committee noted that none of the big newspapers/ periodicals gave information by way of reply to the Questionnaire, except Employment News. Therefore, financial data from published sources was obtained separately in respect of HT Media (publishers of Hindustan Times and Hindustan), Jagran Prakashan (publishers of Dainik Jagran) and Deccan Chronicle. Data was also obtained from Bennett Colman and Co. (publishers of Times of India and Navbharat Times) and Sandesh. With this, the Committee had the benefit of data from 27 newspapers/ publications which cover around 140 newspapers/ newspaper editions.

- 3.3 Indian Newspaper Society (INS) gave a presentation in October, 2009 suggesting an increase of 250%. Since their request was not supported by data and formula, INS was requested to work out rates based on their formula within a month's time taking data of at least 100 newspapers (50 big, 25 medium and 25 small), so that their proposal could be appropriately considered

but, they did not respond. Instead, INS, by way of a Memorandum dated 17th February, 2010 reiterated their earlier position, *without giving any data relating to cost, income, expenditure and consumption of newsprint, etc.* Representations from Indian Languages Newspapers' Association (ILNA), Association of Small and Medium Newspapers of India (ASMNI) and All India Small & Medium Newspapers Federation (AISMNF) were also received.

[Chapter 3, Para 3.3]

- 3.4 The Committee observed that newspapers are selected by DAVP for release of advertisements, keeping in view the reach and readership profile of the concerned newspapers, the message, the budget and the clients' requirements. **No details/ break-up were made available by the Newspaper Associations to the Committee on card rates except the general statement that name/ fame, readership/ readership profile and circulation play a major role in determination of card rates.** The Committee also noted that varying discounts are offered to customers on the card rates. However, details and the methodology of determining the actual discount on card rates were not informed to the Committee. In view of the situation, it was felt that card rates could not form a reasonable, fair and rational basis for DAVP advertisement rate determination. It is relevant to note that apart from having certain amount of news value, newspapers provide useful information to the readers. Advertisements such as UPSC recruitment in a newspaper add to its pull and prestige and attract a significant class of clientele. A balanced view thus had to be taken on this matter.

[Chapter 3, Para 3.4]

- 3.5 The publishers of newspapers and periodicals have been repeatedly insisting that due to recession and increase in newsprint cost, their profitability has been severely affected. Therefore they have been arguing that the DAVP rates should be substantially hiked to help them improve their profitability. In order to assess their claim, a financial analysis of profitability of seven of the largest newspapers/ publishers out of 27 newspapers/ publishers was carried out. The results of the analysis suggest that Operating Revenue and Profit Before Interest and Taxes (PBIT) of all the newspapers, except Times of India and Sakaal, increased during 2008-09 over 2005-06. Capital Employed of all the 7 newspapers increased except HT Media and Times of India. Although PBIT of

all the 7 newspapers taken together as a percentage of Operating Revenue decreased from 19% in 2005-06 to 15% in 2008-09, PBIT as percentage of Capital Employed has increased from 29% to 33% during the same period. ***This indicates that although operating revenue of the 7 publications taken together has decreased, the profitability increased during the same period.*** Thus, the claim of newspapers/ publishers is not fully substantiated.

[Chapter 4, Para 4.2]

4.1 In the absence of information from INS and other sources, the Committee had to finally base its examination as stated earlier, on data of 27 newspapers/ publications comprising of around 140 newspapers/ editions. For a circulation of one-lakh copies, an advertisement of one column cm with standard column width of 5 cm, about 1.2 kg of newsprint is consumed i.e., 0.24 kg per square centimeter. Newsprint price forms the basis of DAVP advertisement rate structure. Processing cost of newsprint/ periodicals, covering all the items of cost, is totalled up and then computed as percentage of newsprint cost. The Committee has taken newsprint price at Rs.34,000 per MT which is the weighted average cost of newsprint consumed by the newspapers/ publications during the year 2008-09, brought to the current level by applying Wholesale Price Index for Newsprint upto the period of 30th June, 2010.

4.2 On the basis of the cost data of 27 newspapers/ publications, the processing cost as a percentage of newsprint cost worked out for the year 2008-09 and the same has been updated upto the current level by applying the Consumer Price Index (CPI) for the month of June, 2010. Thus the processing cost (consisting of salary of wages, process material/ stores and other expenses) works out to 139% of the cost of newsprint.

[Chapter 6, Para 6.3, 6.4 and 6.9]

5.1 Keeping in view the above examination and analysis of costs, the Committee recommends the following:

- i) Card rates of newspapers/ periodicals cannot be agreed to in the absence of information from newspapers on methodology of fixing card rates and giving various discounts thereon.
- ii) The proposed rate structure works out at Rs. 159.32 per column centimeter, with standard column width of 5 centimetres for one lakh circulation of dailies

using **standard newsprint**, has been worked out on the basis of:

- Cost of newsprint at Rs.34,000 per MT for *standard newsprint*
- Processing cost worked out on the basis of actual cost and computed as percentage of newsprint cost which comes to 139% of newsprint cost after updation by applying the Consumer Price Index (CPI) for the month of June, 2010
- Pulling Power Weightage and Weightage for Small and Medium Newspapers @10% of cost
- Reasonable Profit @10% of cost
- Commission @15% of rate recommended payable to DAVP as advertisement agency

- iii) A comparison of the rate now recommended with rate of 2005 and current rate is shown below:

(Rate in Rs. per Col. Cm.)

2005 Recommendations	24% Increase Given in 2008	Present Rate after Increase in 2008	Recommended Rate	Increase over 2005 Rate	Increase Over Present Rate
114.31	27.43	141.74	159.32	Rs.45.01 (39.37%)	Rs.17.58 (12.40%)

Note: A temporary fiscal stimulus package was extended by Government of India for print media from 26th February, 2009 to 31st December, 2009 giving waiver of DAVP Commission of 15% and an ad-hoc increase in DAVP advertisement rates @ 10% as a special relief. This 10% Special Relief was, however, not practically utilised by newspapers/ publishers for the reasons mentioned at para 2.2 above.

- iv) Rate of Rs.182.94 per column centimeter, with standard column width of 5 centimetres for one lakh circulation of unbound dailies using **glazed paper**.
- v) Rate of Rs.205.65 and Rs.229.27 per column centimeter with standard column width of 5 centimetres for one lakh circulation of bound publications using **standard newsprint and glazed paper** respectively.
- vi) Higher rates by 40% for **colour advertisements** as compared to the rates for

black and white advertisements (as in existence presently).

- vii) For the **Sunday editions** of daily newspapers having different RNI number, the rates prevailing for weekdays of concerned dailies shall continue to be applicable.
- viii) The 10% series discount allowed at present in addition to commission of 15% paid to DAVP may continue for UPSC advertisements published in columns of newspapers.
- ix) The present 10-slab rate structure in respect of the newspapers/ publications (for Daily, Weekly, Fortnightly and Monthlies) on the basis of circulation of copies may be continued.
- x) Continuing the practice of using standard advertising unit as square cm. Thus recommended rate **per square cm** becomes Rs.31.86 for one lakh circulation. For newspapers and periodicals with circulation beyond one lakh the same may be applicable proportionately for every increase of 1,000 copies. Similarly for weekly/ monthly/ unbound/ bound publications, rate per square centimeter be paid for actual space used.
- xi) Rate structure recommended would be valid for a period of *three years* effective from prospective date which may be fixed by the Government. This would be subject to escalation once in a year as per the escalation formula given at Para 6.12 of Chapter 6 of the Report.
- xii) The *additional weightage* to *unbound* and *bound weeklies, fortnightlies* and *monthlies* over the rate recommended for dailies as per the existing practice be continued.
- xiii) For circulation of newspapers beyond 25,000 and upto 75,000 copies, Cost Accountants in practice may also be authorized in addition to statutory auditor/ practicing Chartered Accountant/ ABC to issue the circulation certificate. Since ABC/ RNI circulation certificate is compulsory for all newspapers with circulation of more than 75,000, to decrease their workload ABC/ RNI may empanel practicing Cost Accountants/ Chartered Accountants to carry out circulation check.
- xiv) The proposed rates will continue to be applicable to each edition of a chain group of newspaper treating it as a separate entity on merits of its circulation and offered separate rate.
- xv) As per the "New Advertisement Policy, 2007", all Public Sector Undertakings,

Autonomous bodies and Societies of Government of India may also issue all advertisements directly at DAVP rates to empanelled newspapers/ periodicals provided all classified and display advertisements are released in the manner as prescribed in the Clause 3 of the Policy. Committee recommends DAVP to monitor implementation of this provision.

- xvi) The Committee recommends developing a mechanism in DAVP for carrying out at regular intervals a cross check of figures of circulation and credentials of newspapers/ publications.
- xvii) The Committee recommends that, since the issue of adoption of card rates by publishers is brought up repeatedly, Ministry of Information and Broadcasting/ DAVP may commission a study to obtain and analyse card rates and their methodology of giving discounts and how these are actually adopted and compared with DAVP rates.

[Chapter 8]