

# CHAPTER - 1

## BACKGROUND

### 1.1 Newspaper Industry in India

- 1.1.1 A newspaper is a regularly scheduled publication containing news, information, and advertising. General-interest newspapers typically publish stories on local and national political events and personalities, crime, business, entertainment, society and sports. Most traditional papers also feature an editorial page containing editorials written by an editor and columns that express the personal opinions of writers. The newspaper is typically funded by paid subscriptions and advertising. Other features include display and classified advertising, comics, and inserts from local merchants. While most newspapers are aimed at a broad spectrum of readers, usually geographically defined, some focus on groups of readers defined more by their interests than their location: for example, there are daily and weekly business newspapers and sports newspapers.
- 1.1.2 Media is an important and inseparable part of a democratic society. It is in fact called the fourth pillar of democracy. Before the advent of electronic media, print media played an important role in disseminating information to people. Over the years, a wide variety of media like the press, performing arts, television, radio and films have been used for communication. Among these, print media continues to play an important role. The Government uses print media to secure wide coverage of messages through various newspapers and journals. Opinions of other writers and readers are expressed in the op-ed ("opposite the editorial page") and letters to the editors sections of the paper. Helping newspaper circulation are newsstand prices that rarely exceed 3 rupees a copy, thanks to the vicious price war several years ago that suppressed prices. India is a country with an expanding middle class and a booming economy, which have fuelled an explosion in consumer spending and advertising.

- 1.1.3 With proliferation of different media forms, reaching the right audiences may mean selecting media that are focused on target. Future challenges for media specialist like Directorate of Advertising and Visual Publicity (DAVP), are likely to get more complex. Client Departments today are demanding and need to get the right advice to enable them to get their message to their target audiences. Therefore, in the print media too, sections of the publication could be equivalent to specialist channels.
- 1.1.4 As per the report of World Association of Newspapers and News Publishers (WAN-IFRA), presented in the annual world press trends update in December, 2009 at Hyderabad, India has emerged as the largest newspaper market in the world. India has 107 million daily sales, overtaking China amid recession and the global financial crisis impacting advertisement revenues and circulation worldwide. India, China and Japan account for more than 60 per cent of the world's newspaper sales, with United States taking 14 per cent.
- 1.1.5 The number of copies distributed, either on an average day or on particular days (typically Sunday), is called the *newspaper's circulation* and is one of the principal factors used to set advertising rates. Circulation is not necessarily the same as copies sold, since some copies of newspapers are distributed without cost as complimentary copies. Readership figures may be higher than circulation figures because many copies are read by more than one person, although this may be offset by the number of copies distributed but not read (especially for those distributed free).

## **1.2 DAVP Advertisements**

- 1.2.1 The DAVP is the nodal multi-media advertising agency set up to cater to the publicity needs of Central Government. Depending on the message and intended reach, DAVP uses appropriate media mix i.e. Newspaper Advertising, Printed Publicity viz. posters, booklets etc., Outdoor Publicity like kiosks and hoardings etc., Audio Visual spots, Short Films and Exhibitions. However, Newspaper Advertisements and Audio Visual Advertisements are the most important areas of activity for the DAVP. For this purpose, DAVP empanels newspapers, which meet the parameters outlined in the Advertisement Policy of the Government (**Annexure-XIII**). The 'New Advertisement Policy' has come

in force with effect from 2<sup>nd</sup> October, 2007. The important criteria kept in view while deciding empanelment are acceptability, affordability, accessibility and reach among masses.

- 1.2.2 DAVP informs and educates the people, both rural and urban, about the Government's policies and programmes and motivates them to participate in development activities, through its unique modes of communication viz. advertising in press, electronic media, printed booklets/ folders, exhibitions and outdoor publicity tools. To make a balance in distribution of advertisements, out of the total value of advertisements released by DAVP in a year, minimum 15% is required to go to small newspapers, minimum 35% to medium newspapers and a maximum upto 50% to big category of newspapers. The share for English language newspapers is 30% and Hindi and other languages is 35% and 35% respectively.
- 1.2.3 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.
- 1.2.4 DAVP, until May 1967, used to negotiate rates with the newspapers/ periodicals. Indian and Eastern Newspapers Society (IENS), which represented mainly large newspapers, had been insisting that Government should not negotiate rates with the newspapers and should accept minimum card rates. The Enquiry Committee on small newspapers, appointed in 1965, also supported this view, which was subsequently accepted by the Government. As per the policy decision announced in the Parliament on 30.5.1967, newspapers and periodicals were free to decide their own advertisement rates. It was stated that DAVP should make use of such newspapers whose rates were suitable and acceptable from the point of publicity requirements and DAVP would not enter into contracts with such newspapers whose rates were not found to be suitable. After the announcement of this policy, while the DAVP discontinued the practice of negotiating the rates, the card rates of newspapers continued to be examined at the time of renewal of the rate contract or entering into new contracts and continued to settle the rates within the framework of telescopic rates. The small

papers, which normally have fixed high card rates, could not be considered for Government advertisements with the result such papers had to accept whatever reasonable rates Government offered. In other words, the practice of negotiation of rates continued.

- 1.2.5 Suitability of the advertisement rates of newspapers was assessed on the basis of the universally accepted principles, such as, circulation, standing, class of readership, standard of production, place of publication, etc. Weightage was given to the newspapers coming from backward, remote border areas and for those falling in the category of technical and specialised journals. Rate contracts were executed with newspapers on financial year basis and no newspaper was allowed a rate higher than those chargeable from any other quarter.
- 1.2.6 The Public Accounts Committee (PAC) of Parliament, recommended in their 173<sup>rd</sup> Report published in 1975, that the Government should lay down uniform rates for advertisements given by DAVP to newspapers/periodicals. To implement the recommendations of PAC, the Ministry of Information & Broadcasting constituted in 1976 an Inter-Ministerial Advertisement Rate Structure Committee.

### **1.3 Rate Structure Committees**

- 1.3.1 First Committee: The Inter-Ministerial Advertisement Rate Structure Committee constituted in 1976 submitted its report in 1977. The Committee recommended separate uniform rate structure for establishments publishing English dailies, language dailies and both English and language dailies. For each group of newspapers the rate structure was normative. The cost of newsprint and the rate of mark-up were uniform level for all kinds of newspapers, English or language. However, processing charges were recommended at the rate of 120% of the cost of newsprint for English dailies, 80% for mixed dailies and 60% for language dailies. The small and medium newspapers were provided weightage factors. The Committee also recommended an escalation formula to revise the rate structure from time to time depending upon the cost of newsprint and the wages and salaries component of other expenses. While accepting the Committee's recommendations, Government decided that processing charges

for any language papers and periodicals would not be lower compared to English papers and periodicals with the same level of circulation. The rate structure fixed in 1977 was revised for escalation in the cost of newsprint and wages in 1981, 1985, 1989, 1990 and 1991.

1.3.2 Second Committee: In pursuance to the recommendation of the Committee of Secretaries in their meeting held on 19.2.1991, an Inter-Ministerial Rate Structure Committee was constituted in 1991 under the Chairmanship of the Chief Adviser (Cost), Ministry of Finance. The Committee submitted its report in September 1993. The Committee recommended normative cost structure as the basis for rates of Government advertisement. The Committee added a new element in the rate structure called "Pulling Power Weightage" to endorse the pulling power built up over a period of time by establishing and maintaining a powerful network of staff and bringing out newspaper of a quality acceptable to the particular class of customers served by it. Thus an extra provision of 15% on the basic cost for newspapers/ periodicals having circulation of 50,001 and above paid copies was made in the cost structure. However, this provision for pulling power need not be considered for escalation under the escalation formula. In the rate structure then existing, the weightage for small English newspapers with circulation upto 10,000 was slightly higher compared to the corresponding weightage for language newspapers of the same circulation. The Committee rationalized the weightage factors and recommended uniform weightage both for English and language newspapers. With this recommendation, the entire rate structure became uniform for English and language newspapers/periodicals for any level of circulation. The report was accepted by the Government, with some modifications for the small and medium publications, and became operative from 1<sup>st</sup> April 1995.

1.3.3 Third Committee: In September 1998, Government constituted another Rate Structure Committee under the Chairmanship of the Chief Adviser (Cost), Ministry of Finance to review the then existing rate structure and if considered necessary, to suggest a new Rate Structure formula for DAVP advertisements to be effective from 1<sup>st</sup> April, 1999. The Committee submitted its report in December, 1998. In its recommendations, while the Committee retained the broad structure of the formula prescribed by the earlier Committee in 1993, changes were made in the following parameters: Standard Newsprint of 48

gsm and Glazed Paper of 52 gsm was adopted; Rate of Processing Charges as percent of Standard Newsprint cost was enhanced to 100% for dailies and 150% for bound periodicals; Rate of Commission for Display advertisements was at 15% of 98% of the total cost as against 15% of the total cost excluding pulling power. For colour advertisements, additional increase of 90% over the black and white rates was recommended. Based on these parameters, the Committee recommended revised uniform rates for English and language dailies, suggesting an increase of about 30% over the then existing level. In addition, the Committee also recommended revised rates for bound periodicals and also for colour advertisements, both in dailies as well as in bound periodicals. These recommendations were accepted by the Government and implemented without any modifications.

1.3.4 Fourth Committee: The fourth Rate Structure Committee was constituted in September 2001 under the Chairmanship of Chief Adviser (Cost) to carry out a comprehensive review of existing Rate Structure for DAVP Advertisements and to suggest a new Rate Structure Formula. The Committee submitted its report in May 2002. Salient features of the recommendations made by the Committee were as under:

- i. Standard advertising unit should be square centimetre instead of column centimetre in view of international dimensions adopted by newspapers resulting in reduction in overall size.
- ii. Rs. 19.95 as against existing rate of Rs. 18.78, per square centimetre for one lakh circulation, was recommended (increase of 6.23%).
- iii. The slabs for rate purposes were reduced to 16 as against the existing 21 for circulation up to one-lakh copies. Above one lakh circulation, rate will change with every 1000 increase in circulation.
- iv. Revised rate structure to be implemented from 1st October 2002 to coincide with new rate contract period of DAVP and would be valid for a period of three years.
- v. Rate for colour advertisements reduced from 90% to 50% of the rates applicable for black and white advertisements.
- vi. Advertisements of all PSUs and autonomous bodies may be routed through DAVP, since its rates are substantially lower which will result in reduction in public expenditure on advertisement.

- vii. Appropriate escalation formulae were recommended to account for changes in the newsprint cost and cost of processing etc.

These recommendations were accepted by the Government and implemented, without any modifications, effective from 1<sup>st</sup> October, 2002.

1.3.5 *Fifth Committee*: The Fifth Rate Structure Committee was constituted on 22<sup>nd</sup> November, 2004 under the Chairmanship of Chief Adviser (Cost), Ministry of Finance to carry out a comprehensive review of existing Rate Structure for DAVP Advertisements and to suggest a new Rate Structure Formula to be effective from 1<sup>st</sup> October 2005. The Committee was requested to examine whether combined rates to multi edition newspapers were feasible in place of separate rates for each edition and whether it was feasible to replace cost and circulation based DAVP rates by commercial card rates. In discharge of its functions, the Committee was asked to interact with State Governments and other organisations concerned and to cover all related factors, which may have a bearing on the advertisement rates. The Committee made the following recommendations:

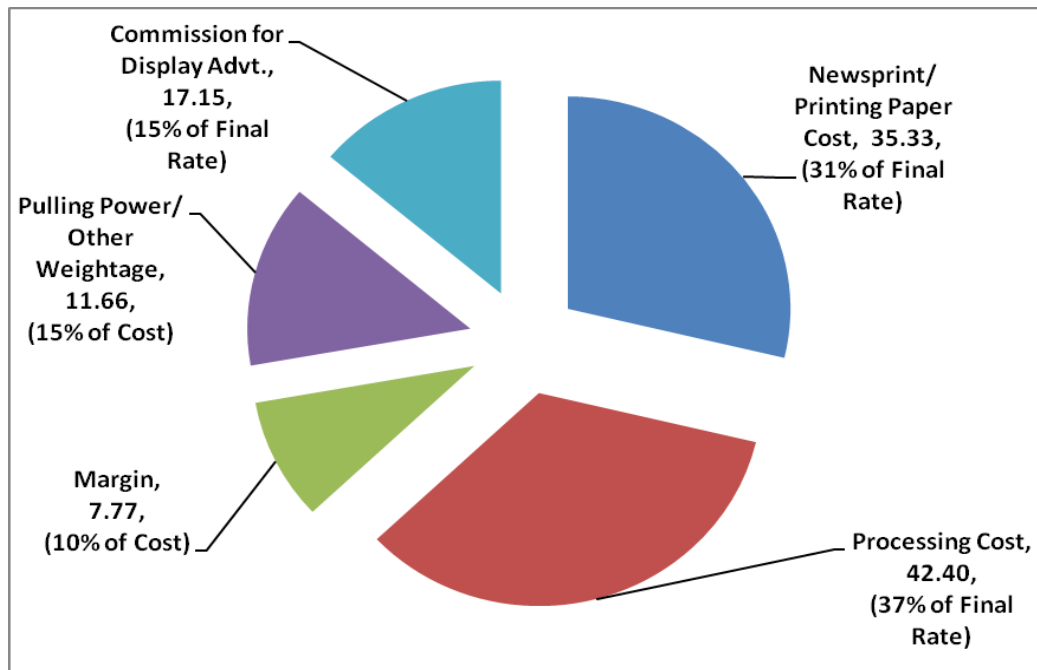
- i. A rate of Rs. 114.31 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of dailies, worked out on the basis of cost of newsprint at Rs. 26500 per MT for standard newsprint and also other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.
- ii. A rate of Rs. 131.38 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of unbound publications, worked out on the basis of rate of glazed paper at Rs.32500/- per MT and also other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.
- iii. A rate of Rs. 145.47 and Rs. 162.54 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of bound publications, worked out on the basis of newsprint at Rs.26500/- for standard newsprint and 32500/- per MT for glazed paper respectively

considering other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.

- iv. 10% series discount allowed in addition to commission of 15% paid to DAVP may continue for UPSC advertisements published in columns of newspapers.
- v. 10 slabs rate structure for publications of Daily, Weekly, Fortnightly and Monthlies on the basis of circulation of copies as against the existing 16 slabs for circulation up to 100000. The minimum slab was raised from 2000 to 5000 circulation.
- vi. Standard advertising unit to be square cm. instead of column cm keeping in view of reduction in overall size of newspapers in line with international standard. The recommended rate per square cm was Rs. 22.86 for one lakh circulation of dailies. For newspapers and periodicals with circulation beyond one lakh, the same may be applicable proportionately for every increase of 1000 copies. Similarly for weekly/monthly/unbound/bound publications, rate per square centimetre of actual space used for advertisement be paid.
- vii. Rate structure recommended to be made effective from 1st January 2006 to coincide with new rate contract period suggested. The recommended rate structure to be valid for a period of three years i.e. upto 31<sup>st</sup> December 2008 when it may be reviewed.
- viii. Committee recommended higher rates by 40% for colour advertisements as compared to the rates for black and white advertisements.
- ix. In case of substantial variations in the cost of newsprint, the recommended rate effective from 1.1.2006 might be revised once in a year on the basis of escalation formulae. For this purpose, the revised price of newsprint/ glazed paper should be on the basis of average of immediately previous six months landed cost of newsprint / glazed paper.
- x. Committee recommended that the proposed rates 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.



1.3.6 The break-up of DAVP Advertisement Rate of Rs.114.31 recommended by the Committee has been displayed by the following pie chart:



#### 1.4. Changing Trends in Newspaper Industry

1.4.1 Newspapers have generally been closely held, many a time family owned enterprises. Significant changes of late are taking place in Newspaper Industry. Some newspapers have gone public while some, which were primarily in the publishing business, have diversified in allied and other fields. Some cross-financial investments between different newspaper groups have widened the potential areas for cooperation and are likely to strengthen the Industry. Foreign Direct Investment (FDI) in Indian general newspapers is also taking place. Issue of IPO's is helping closely held newspaper organisations to become widely held. Additional resources mobilized through FDI/IPOs are funding expansion and modernization plans of such newspapers. Advertising is a big industry and share of print media in the total advertisement market is very significant. In the current economic scenario, as a constantly changing reflection of public and private realms at various levels and intersects of our lives and times the newspapers have a critical role to play. Readers turn to their preferred newspaper for various reasons. Therefore the newspapers continue to thrive, even in the digital world. Similarly advertisement industry

has also integrated and the focus has shifted from mere advertising to total communication.

- 1.4.2 New editions, new titles, all-colour pages, acquisitions/ mergers, internal co-operation – these are just a sample of happenings that have transformed entire newspaper industry's scenario in India. Newspapers shape the nation and it holds true for India as well. Even before India got independence, newspapers played a major role in spreading issue of independence. Today, India has hundreds of big newspapers, besides thousands of medium and small-sized ones. The number is increasing almost every day as existing newspapers bring out new editions apart from new players joining the bandwagon.
- 1.4.3 There was a time when select group of newspapers were ruling a particular region and they all were self-contained and did not wish to foray into other regions. For example, Hindustan Times was confined to Delhi region, The Hindu in Chennai region, while Tribune was dedicated to Ambala, Anandabazar Patrika was confined in West Bengal and Bhaskar in Gujarat and so on. But lately, the scenario has completely changed, when many newspapers added a number of new editions. Business newspapers have also branched into new editions in newer territories. Another popular way seen to enter into other territories quickly has been by acquisitions. The Indian Newspaper industry can be primarily segmented across two categories, viz., English Newspapers and Regional / Vernacular Newspapers. The English medium dominates the industry in terms of advertisement revenues, though vernacular newspapers outperform the English newspapers in circulation.
- 1.4.4 In terms of adopting new technologies, the newspapers have realized that "customer is king" and amidst so many choices, readers would go for newspapers that are more reader-specific, content-rich and give value for money. The black and white technology is becoming passé whether it is a mobile phone or a newspaper. Today, readers prefer all-colour editions and more and more newspapers have come out with all-colour editions. This has necessitated the newspaper publishers to opt for CtP (computer to plate) technology, which by default has improved the print quality and reduced the waste percentage. Besides, the newspapers are also going in for makeover of their publications, in terms of layout, font and sometimes even masthead. The

cut-off size 546 mm is preferred over 578 mm, which has resulted in savings in newsprint cost.

## **1.5 DAVP Advertisement Policy**

- 1.5.1 In supersession of all earlier orders, the Government laid down the New Advertisement Policy with effect from 2<sup>nd</sup> October, 2007 **(Annexure-XIII)**. Government advertisements are not intended to be financial assistance to newspapers/ journals. DAVP maintains a list of newspapers/journals approved for release of advertisements by empanelling acceptable newspapers/journals. DAVP empanels only such newspapers/ journals as are required for issuing advertisements of the Government of India. Care is taken to empanel newspapers/ journals having readership from different sections of the society in different parts of the country.
- 1.5.2 Newspapers/ journals are classified into three categories, namely,
- i) Small, with a circulation of upto 25,000 copies per publishing day.
  - ii) Medium, between 25,001 and 75,000 copies per publishing day, and
  - iii) Big, with a circulation of above 75,000 copies per publishing day.
- 1.5.3 All empanelled newspapers/ publications are asked to enter into a rate contract, which will be valid for a period of 3 years. However, a change in circulation can be accepted only once, after completion of one year from the date of rate contract, during the validity period of the rate contract, on the basis of CA/ RNI/ ABC certificates, as applicable, duly supported with the proof of submission of Annual Return for the previous year to RNI.
- 1.5.4 The rate structure for payment against advertisements released by DAVP is to be worked out as per the recommendations of the Rate Structure Committee. The rates are related to certified circulation of a newspaper. All empanelled newspapers will have to enter into rate contract with DAVP on the basis of rate offered and other terms and conditions as laid down from time to time to ensure proper publication of DAVP advertisements as and when issued to such newspapers.

## CHAPTER – 2

### PRESENT RATE STRUCTURE COMMITTEE

#### 2.1 General

- 2.1.1 The DAVP advertisement rates recommended by the previous Committee were valid for a period of three years w.e.f. 1.1.2006. It was also recommended by the Committee that, for the purpose of regulating the rate of advertisement, a representative rate of newsprint cost may be ascertained by DAVP in April each year from a few major selected units in consultation with INS and others in addition to data obtained from indigenous newsprint manufacturers and Indian Customs (Imported newsprint). The movement in Consumer Price Index in April each year over its level in April 2005 is to be used to provide escalation in processing charges. Based on such data, the escalation, if required, may be regulated in consultation with the Office of Chief Adviser Cost, Ministry of Finance. If necessary, the advertisement rates may be revised once in a year on the basis of the escalation formulae recommended by the Committee. For this purpose, the revised price of newsprint/ glazed paper should be on the basis of average of immediately previous six months landed cost of newsprint/ glazed paper.
- 2.1.2 In accordance with the parameters given in the above paragraph. INS proposed for enhancement of DAVP advertisement rates during the year 2008. The proposal was considered and the Government acceded to the demand of escalation and the then prevailing DAVP advertisement rates were enhanced by 24% w.e.f. 1<sup>st</sup> September, 2008, in consultation with the Office of Chief Adviser Cost, Ministry of Finance.
- 2.1.3.1 Subsequently, a *Fiscal Stimulus Package* was announced by Government of India for print media on 26<sup>th</sup> February, 2009 for a period upto 30<sup>th</sup> June, 2009. The package included waiver of 15% agency commission on DAVP advertisement and 10% increase in the DAVP rates as special relief subject to documentary proof of loss of revenue in non-government advertisements as

compared with the same period last year. The loss in revenue was to be compensated through this 'special relief' to the extent of 10% above the DAVP rates. These two concessions were further extended for a period of six months, i.e., upto 31<sup>st</sup> December, 2009 vide communication of Ministry of Information and Broadcasting dated 9<sup>th</sup> July, 2009.

2.1.3.2 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 which was the precondition to the special relief. Thus, the special relief by way of 10% enhancement in DAVP Rate was practically not availed of by the newspapers/publications. From 1<sup>st</sup> January, 2010 the *fiscal stimulus package* was discontinued.

## **2.2 Constitution of the Present Rate Structure Committee**

2.2.1 Government of India, Ministry of Information & Broadcasting, vide their Order No. 1/29/2008-MUC dated 22<sup>nd</sup> October, 2008 (**Annexure-I**) constituted the present Rate Structure Committee to carry out a comprehensive review of existing Rate Structure for DAVP Advertisements and to suggest a new Rate Structure Formula to be effective from 1st January, 2009. 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. In discharge of its functions, the Committee may analyze and study all the factors affecting advertisement rates in-depth and recommend suitable rates for all the varieties and types of advertisements/papers. The Committee may interact with State Governments and other concerned organisations and its deliberations will cover all related factors, which may have a bearing on the advertisement rates.

2.2.2 The composition of the Committee was as follows:

- i. Additional Secretary & Financial Adviser, Ministry of Information &

Broadcasting - Chairperson

- ii. Economic Adviser, Ministry of Information & Broadcasting - Member
- iii. Adviser (Cost), Ministry of Finance - Member
- iv. DG/ Director, DAVP - Member
- v. Joint Secretary (P&A), Ministry of Information & Broadcasting - Member
- vi. ADG (Advertising), DAVP - Member Secretary

2.2.3 The Committee was required to submit its report within a period of one month of its constitution. However, this period was extended from time to time and up to 31<sup>st</sup> August, 2010.

### **2.3 Rate Structure Committee Meetings**

2.3.1 The Rate Structure Committee met frequently during the period from 11<sup>th</sup> December, 2008 to 31<sup>st</sup> May, 2010. The points deliberated in some of these meetings are given in brief hereunder. The copies of the minutes of these meetings are given at **Annexure – II.**

2.3.2 Meeting dated 5.1.2009: The Committee noted that in order to have a comprehensive review of the rate structure formula, a detailed study of various factors such as newsprint cost, processing charges, reasonable profit, weightage factor, labour cost, etc. has to be undertaken taking into account the inputs from the various stakeholders. Adviser (Cost) was asked to study and analyse the factors used by the previous Committee and other factors that may be required for formulation of a new rate structure and come up with a base paper, outlining the roadmap. Subsequently a Questionnaire may be developed by Economic Adviser in consultation with Adviser (Cost).

2.3.3 Meeting dated 21.1.2009: Adviser (Cost) outlined the roadmap identifying the activities necessary for review of the rate structure as under:

- i) Preparation of Draft Questionnaire
- ii) Meeting with INS and other Associations to impress the need of early

reply to the Questionnaire

- iii) Visit to a few newspaper publishing houses
- iv) Compilation and summarisation of relevant data, etc.

Accordingly, a team of officers was constituted which was to visit Times of India, Sahibabad to see their production process.

2.3.4 Meeting dated 17.2.2009: It was decided that Adviser (Cost) would finalise the Questionnaire by 23.2.2009 and DAVP would circulate it by 28.3.2009 to all concerned seeking their comments by 15<sup>th</sup> March, 2010. It was also decided in the meeting to request newspaper industry to come up with a formula on the DAVP advertisement rates.

2.3.5 Meeting dated 8.7.2009: The Committee noted that replies to the Questionnaire, which was circulated to about 4000 newspapers/ periodicals, have been received only from 46 newspapers/ periodicals, that too from small sized publications. It was decided that INS should direct their members to furnish the information asked for by the Committee. The formula adopted by the previous Committee was explained by Adviser (Cost) and the Committee discussed the formula in detail to understand the rationale and dynamism of the cost based formula and noted the elements of rate, viz., cost of newsprint, other elements of input cost, weightage for small and medium newspapers, commission for the newspaper distribution and a reasonable profit.

2.3.6 Meeting dated 8.10.2009: INS representative made a presentation to make their case to move away from cost-based formula to market-rate formula. INS was asked to work out the rate based upon their proposed formula and present to the Committee taking data of at least 100 newspapers (50 big, 25 medium and 25 small newspapers) and compare with the rate already existing which would indicate the real picture. The Chairperson asserted that the formula should be equitable, practicable, logical, easy to use and easy to implement. INS representative sought one month's time for giving their presentation to the Committee. The Committee was informed by DAVP that as decided in the last meeting of the Committee, the meetings with Newspaper Associations, Marketing Agencies and Advertising Companies could not be held due to lack

of response from their side.

- 2.3.7 Meeting dated 27.1.2010: The Committee noted the brief historical background presented by Adviser (Cost) taking into account different developments that took place from 1967 onwards and how the system of annual rate contract with selected newspapers was changed into cost based uniform rates after observations of Public Accounts Committee in 1976. Committee also noted that replies to the Questionnaire have been received only from 49 newspapers containing insufficient data and information. The Committee decided to give a last opportunity to INS for submission of data and information latest by 28<sup>th</sup> February, 2010 failing which the Committee would proceed to start preparing the Report based on the available data and information. The Committee also noted the request of DAVP for the recommendations of the Committee should not have retrospective effect to avoid difficulties in computation of arrears.
- 2.3.8 The Committee further noted that only 6-7 newspapers had submitted their claim for release of 10% increase in DAVP rate and waiver of 15% DAVP commission. The Committee was informed by Adviser (Cost) that 15 newspapers individually are having 1% or more in the total print advertisement expenditure of DAVP in the year 2008-09 (which totals to about 50% of the overall advertisement expenditure of DAVP) and none of these newspapers gave reply to the Questionnaire. DAVP was asked to pursue with these newspapers and also to get the rates of imported and indigenous newsprint for the year 2009-10 alongwith copies of latest invoices.
- 2.3.9 Meeting dated 15.03.2010: The Committee noted that number of replies received from newspapers/ periodicals is small. It was also noted that data/ information in respect of some of the big newspapers was collected by Office of Chief Adviser Cost from published sources. The Chairperson desired Office of Chief Adviser Cost may undertake a sensitivity analysis taking various factors into account and make a presentation to the Committee thereafter to enable the Committee to take appropriate decision on the rate. DAVP was asked to ascertain the ratio of advertorial cost to normal advertisements and to ascertain the percentage increase that may be required in the case of front page advertisements.



2.3.10 Meeting dated 19.04.2010: A detailed presentation was made by Adviser (Cost) showing indicative rates for DAVP Advertisement based on the data received and obtained through various sources. This was followed by detailed discussion in the Committee. The Chairperson requested to carry out a comparison of increase in rates fixed by the various Committees in past and arrive at a trend. She also observed that since the budgets of various Ministries are limited, the rates cannot be increased substantially on a year to year basis or else it would cut into their available advertising space.

## CHAPTER – 3

### INTERACTION WITH NEWSPAPERS AND THEIR ASSOCIATIONS AND REPRESENTATIONS FROM NEWSPAPER ASSOCIATIONS

#### 3.1 Questionnaire

3.1.1 In order to collect data from the newspapers, a Questionnaire (Annexure – II) was circulated in March 2009 to 4,605 newspapers/ periodicals (Annexure – III) 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:

- General information about the newspaper/ periodical including standard size, average percentage area printed, average percentage of advertisement space, average circulation, etc.
- Income and expenditure details.
- Details of newsprint, ink and plates (indigenous and imported) consumed.
- Comments on the existing formula or a suggested new formula alongwith reasons and suggestions.

3.1.2 There was very poor response to the Questionnaire from the newspaper establishments. Big newspapers did not reply to the Questionnaire. Replies from 49 newspapers/ periodicals (mostly small) (Annexure – III) were received. Replies given by these newspapers/ periodicals were considered to be grossly insufficient for the purpose of this study. Data gap, mainly about consumption of newsprint, ink and plates and Balance Sheet and Profit and Loss Accounts of the newspapers, were identified and intimated to these 49 newspapers individually. Some of these newspapers subsequently submitted further data and information.

## **3.2 Spot Visit**

3.2.1 In order to make a spot assessment of the operations of newspaper units and to interact and explain to them the need to furnish requisite cost data so as to help the Committee arrive at the correct built-in-cost per unit and a fair Rate Structure formula for the DAVP advertisements, a group of the members of the Committee visited Times of India, Sahibabad (UP).

## **3.3 Representations from Industry**

3.3.1 The Committee in the discharge of its functions was expected to interact with organisations concerned and to deliberate all related factors, which may have bearing on the advertisement rates. Keeping this aspect in view, the Committee requested various newspapers, periodicals and their associations to furnish replies to the questionnaire along with their comments/ suggestions on the different elements of the present DAVP rate structure. The views and suggestions received from various associations are summarised below:

### **3.3.2 Indian Newspaper Society (INS)**

3.3.2.1 The Indian Newspaper Society (INS) is one of the most important associations of newspapers. Besides representing a large number of newspapers, it also accredits advertising agencies. However, INS did not obtain data from its members and furnish it to the Committee. INS gave a presentation before the Committee in October, 2009. In its presentation they requested the Committee to shift to a market-rate-formula and suggested an increase of 250%. Since their request was not supported by data, any formula for such an enormous increase in the rate structure, INS was one again requested to work out the rates based on their proposal within a month's time taking data of at least 100 newspapers (50 big, 25 medium and 25 small newspapers) so that their proposal could be seen in its correct perspective.

3.3.2.2 Instead of reverting back to the Committee with their data and a proposed formula for enhancement of rate structure, INS, by way of a Memorandum dated 17<sup>th</sup> February, 2010 to the Chairperson of the Committee reiterated their earlier position, bringing out the following:

- a. INS issued a detailed questionnaire to about 900 of its member publications and collected data from 154 publications of which 112 publications could provide valid data.
- b. Cost based rates are symbolic of highly regulated economic environment and inconsistent with the current economic policies of Government of India. Cost based rate is justified when the production capacity of the seller has been set up solely or predominantly for meeting the requirements of the buyer and there are few alternate uses for the capacity. Neither of these conditions is satisfied in the case of the newspaper industry.
- c. The competition from the electronic media and within the print media is eroding the share accruing to individual publications. Card rates in a competitive environment cannot be excessive. Card rates can uniformly be adopted subject to a discount structure.
- d. The space shared by the DAVP advertisements in the total ad space is low (80% of the sample publications have DAVP advertisement constituting less than 25% of the total ad space). Similarly, revenue from DAVP advertisement is also low (96% of the sample publications have DAVP advertisement contributing to less than 25% of the total ad revenue).
- e. The rates of DAVP advertisements are low (62% of the publications have DAVP rates which are less than half the Net Billed rate).
- f. Circulation is the main criteria in fixing the DAVP rates and the rates are closely correlated to the circulation while it is not so in the case of the net billed rate.
- g. In electronic media rates are determined individually on the basis of average rate during the previous two years divided by average viewership during the same period. INS proposed the rate structure modelled on the basis of the formula for electronic media with replacing average rate during the previous two years with average billed rates. Under suggested rate structure, normative rates may be fixed for 3 years in respect of 1883 publications, mainly consisting of small and medium, having circulation upto 100000 copies. Circulation based DAVP rates may be fixed annually

in respect of 145 publishers having circulation more than 100000 copies.

- h. In case of multi-editions where all the editions have the same RNI Registration number, rate must be the same. Likewise, Sunday editions must carry a separate rate where the rate card carries such a rate.
- i. Free and complementary copies are often distributed among decision making persons and opinion-makers and as such should be included in the circulation figure subject to a reasonable limit.
- j. Rate for advertisement in colour should be higher by 100% reflecting card rate and not based on additional cost of ink, plates, film and processing cost. Similarly premium for glazed newsprint should be based on premium realised in net billed rates.
- k. Discount on net-billed rate can be justified only for DAVP advertisements with social theme. Discounted rates for PSU's for commercial advertisements must be discontinued.
- l. Since DAVP rates are at 40% of the net billed rates, the Committee may start with the correction of the minimum end of the rate difference and draw up a schedule for reaching acceptable levels in three years.

### **3.3.3 Indian Languages Newspapers' Association (INLA)**

3.3.3.1 Indian Languages Newspapers' Association (INLA), vide thier representation sent in March, 2010 regarding the Fair Rate Structure for DAVP Advertisements pointed out certain issues and put forward their suggestions as under:

- a. The Committee should keep in mind that the language publications play a very important role in development of democracy by carrying out the written words far and wide.
- b. Language publications refused to fill the questionnaire because it is designed for big newspaper corporatised companies that have huge revenue from commercial and government advertising and earn huge profits and can afford to invest into preparing the reply of the questionnaire.
- c. DAVP rates are instruments through which the publications get huge

advertising from PSUs, government departments, state governments, zila parishads, local bodies and even many semi quasi governmental bodies that advertise heavily in the locally published publications, the voice of one set of publications cannot be taken as the final one.

- d. Rate Card based formula is not workable because they work on the basis of rates decided by market forces and those demand rate card do not stick to rates on cards.
- e. Cost plus formula is the only practical one but the basic methodology for the same needs to be changed.
- f. Cost Plus Formula was suggested as under:
  - i) Cost of newsprint used in publishing the advertisements., *plus*
  - ii) Cost of printing equal to the cost of newsprint for the sake of ease of calculation, *plus*
  - iii) Cost of content to be taken as 15% of the two costs above, *plus*
  - iv) Cost of un-solds to be added to above, 15%, *plus*
  - v) Cost of dispatch to be taken as 15% of the above mentioned costs i), ii) and iii), *plus*
  - vi) Location advantage: Additional 15% for costs as per point i) to v) where the town is less than of 50,000 population, 10% in case the town has population upto 2,00,000
  - vii) Additional stimulus to language publications for the development of languages: 20% of the rate as calculated above.
- g. They further suggested that:
  - i) The rates should be applicable for three years.
  - ii) The rates should change every quarter if the newsprint price fluctuates more than 20% . For the purpose of rates, the rates for government mills to be taken as the fixed yardstick.
  - iii) It is not essential to find the cost by a detailed enquiry of inputs as the costs of elementary raw material is uniform all over the country and printing cost all across the industry is similar whether for newspapers or commercial work.
  - iv) It will suffice if the Rate Structure Committee determines the

percentile components of one or two publications and implement the formula on all other.

### **3.3.4 Association of Small and Medium Newspapers of India (ASMNI)**

3.3.4.1 Association of Small and Medium Newspapers of India (ASMNI) in March, 2010 represented that:

- a. Small and medium sized newspapers are facing lot of difficulties.
- b. They have requested to withdraw deduction of 15% as DAVP Advertisement Commission because it was started when DAVP used to give blocks of their advertisement whereas now the material is downloaded from internet instead of using the blocks.
- c. They also requested to increase the rates by 40% due to increase in:
  - i. printing charges,
  - ii. salaries,
  - iii. cost of ink,
  - iv. power, etc.

### **3.3.5 All India Small & Medium Newspapers Federation (AISMNF)**

3.3.5.1 All India Small & Medium Newspapers Federation (AISMNF) sent the following views vide their letter received in March, 2010:

- a. The small and medium newspapers are printed on contract basis and hence they cannot give data of consumption of newsprint, ink, etc.
- b. Big newspapers have the capacity to get private advertisements at higher rates while small newspapers could get very few advertisements, that too at very low rates.
- c. DAVP Advertisement rates should be hiked as newspapers have to complete formalities and get their accounts audited which is quite expensive.
- d. Due to pathetic condition of small and medium newspapers, there are very few employees/ part-time employees and as such they should be exempted from giving detail of employees cost.
- e. AISMNF suggested that:
  - i. Minimum DAVP Advertisement rate should be Rs.25.
  - ii. Upto circulation of 50000, the need of report of CA should be dispensed

with.

- iii. Upto 2 lakh circulation, only the report of CA should be taken as basis.
- iv. The quota for small and medium newspapers should be enhanced.
- v. Advertisement should be given on roster system.
- vi. Small and medium newspapers should be given subsidy for installation of own printing press treating them as small industry.

### **3.4 Observations of the Committee on the representations of the Associations**

3.4.1 It was noted that appropriate 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 client requirements. Reservation or quota or special treatment by DAVP for any specific region/sector may not be desirable. With reference to the plea for higher rates for the language newspapers, it was pointed out that the rate structure is uniform in nature. As has been noticed from the data analysed, incidence of processing charges of language and other small newspapers are generally much lower than the processing charges of English language newspapers. Since uniform processing charges have been adopted for all the newspapers in the past, the rate structure has a built-in advantage for the language newspapers as compared to others.

3.4.2 With reference to the submission for acceptance of card rates, newspapers and their associations were requested to make available the detailed break-up of card rates and how these card rates are determined, what factors are taken into account while revising the card rates and how much weightage is being given to various elements. **No details/ break-up however, were made available 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.** It is understood 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 this, the Committee felt that card rates could not form a reasonable, fair and rational basis for DAVP advertisement rate determination.



- 3.4.3 Regarding the recent trend of widening gap between the cover price/ actual realizations and the cost of bringing out the newspaper, it was explained that the Committee's task was to evolve a fair normative and uniform rate structure for DAVP advertisements and in that context, it was difficult to subscribe to the view that the loss, if any, in the cover price realisation over and above the cost of the newspaper should be subsidized by the Government. The volume of space devoted to advertisements/news varies from newspaper to newspaper and also from time to time, depending mainly on the availability of advertisements and news items. The rate structure once evolved is expected to hold good for a reasonable period of time. Such a rate structure cannot be formed on the basis of varying factors like shifting percentages of space devoted to advertisements/news, loss in newspaper operation, readership and readership profile which is extremely difficult to verify and other factors like percentage of advertisement revenue to the total revenue etc.
- 3.4.4 It was stated that pulling power of the newspaper is an important criterion in evolving suitable rate for advertisement. Hence, it was conceded that the pulling power of newspaper has to be recognised in evolving a fair rate. While emphasizing pulling power as a relevant factor in determining DAVP advertisement rates, newspapers should also appreciate the fact that Government advertisement is a separate category. Apart from having certain amount of news value, they provide useful information to the reader. Appearance of advertisements such as UPSC recruitment advertisements in a newspaper thus adds to its pull and prestige and attracts a significant class of clientele. A balanced view has thus to be taken on this aspect.
- 3.4.5 With regard to prompt payment of advertisement bills by DAVP, the Committee understands that efforts are being made to improve the payment position and further streamline the payment system to ensure payment of bills within the stipulated time.

## CHAPTER – 4

### ANALYSIS OF DATA FOR RATE STRUCTURE

#### 4.1 Advertisement Expenditure Pattern of DAVP

4.1.1 It is noted from the Annual Report of DAVP for the year 2008-09 that a total number of 13,018 advertisements were released to various newspapers throughout the country during the financial year 2008-09. Of these 851 were display advertisements and the rest were classified advertisements. Some of these include advertisements on World Population Day, World AIDS day, World Health Day, Malaria Day, Iodine Deficiency Day, Environment Day, World Sight Day, National Rural Employment Guarantee Scheme (NREGA), International Day of Disabled Person, Baba Saheb Ambedkar Hastshilp Vikas Yojana, Sadbhavna Diwas, Bharat Nirman, Azadi Express, Independence Day, Republic Day, etc.

4.1.2 The big newspapers/ periodicals have not given information by way of reply to the Questionnaire circulated by DAVP in March, 2009, except Employment News. However, financial data from published sources has been obtained in respect of HT Media (Hindustan Times and Hindustan), Jagran Prakashan (Dainik Jagran) and Deccan Chronicle while data was obtained from Bennett Colman and Co. (Times of India and Navbharat Times).

4.1.3 It was decided by the Committee that DAVP would hold a meeting with newspaper associations, marketing agencies and advertising companies to find out how government rates compare with private commercial card rates. DAVP informed the Committee that no such meeting with Newspaper Associations could take place but the Associations assured DAVP to give their views and comments on Rate Structure to the Committee in writing. A meeting could not be held with Marketing Agencies and Advertising Companies due to lack of response from their side.

#### 4.2 Financial Analysis of some of the Big Newspaper Publications

4.2.1 As discussed in para 4.1.2 above, none of the big newspapers furnished data

and information by way of Questionnaire circulated to them despite reminders. Financial data of some of the big newspapers was gathered through publicly available data on internet in respect of Jagran Prakashan, HT Media, Deccan Chronicle and Sandesh. In addition, Annual Report for the year 2007-08 was collected from Times of India during the visit of the Members of the Committee to their publishing house at Sahibabad and Annual Report for the year 2008-09 was obtained from them later. Apart from these 5 publications, the data and information received in the reply to the Questionnaire from Sakaal and The Mathrubhumi were also used to draw a comparison of financial performance for the year 2005-06 (the financial year in which the last Report was issued) with the year 2008-09 (the latest year for which financial data is available).

- 4.2.2.1 The relationship between 'Operating Revenue' and 'Profit Before Interest and Taxes (PBIT)' shows the operating efficiency of the organisation. Following table shows the operating efficiency of the 6 publications during the year 2008-09 compared with the figures of 2005-06:

### **PBIT as a percentage of Operating Revenue**

(Rs. In Lakh)

Sl. No	Name of the Newspaper/ Publisher	March 2006			March 2009			Increase/ Decrease in %age
		Operating Revenue	PBIT	PBIT as %age of Operating Revenue	Operating Revenue	PBIT	PBIT as %age of Operating Revenue	
1	Jagran Prakashan	47,816.00	5,832.00	12%	84,613.84	14,110.20	17%	5%
2	HT Media	82,373.30	7,470.74	9%	135,777.17	14,619.66	11%	2%
3	Deccan Chronicle	35,220.88	11,551.74	33%	85,761.52	27,886.41	33%	0%
4	Times of India	269,670.03	64,802.42	24%	437,507.59	59,040.73	13%	-11%
5	Sandesh	13,227.00	726.00	5%	29,306.95	4,352.55	15%	10%
6	The Mathrubhumi	21,862.46	1,281.62	6%	29,847.89	1,169.91	4%	-2%
7	Sakaal	20,756.00	3,141.00	15%	33,221.43	2,019.31	6%	-9%
	<b>TOTAL</b>	<b>490,925.67</b>	<b>94,805.52</b>	<b>19%</b>	<b>836,036.39</b>	<b>123,198.77</b>	<b>15%</b>	<b>-4%</b>

4.2.2.2 During the year 2008-09, the newspapers have shown PBIT as percentage of Operating Revenue ranging from 4% (Mathrubhumi) to 33% (Deccan Chronicle) during the same year. While Operating Revenue and PBIT of all the newspapers, except Times of India and Sakaal, has increased during 2008-09 over 2005-06, PBIT as percentage of Operating Revenue in 2008-09 over 2005-06 has increased in respect of Jagran Prakashan, HT Media and Sandesh while it has remained unchanged in case of Deccan Chronicle. Times of India, Mathrubhumi and Sakaal have, however, shown declining trend in their PBIT as percentage of Operating Revenue.

4.2.3.1 'Profit Before Interest and Taxes (PBIT)' as percentage of 'Capital Employed' signifies the net income from the operations, without taking into account the financing costs. PBIT as a percentage of Capital Employed in respect of these seven publications has been compared and depicted in the following table:

### **PBIT as a Percentage of Capital Employed**

(Rs. In Lakh)

Sl. No.	Name of the Newspapers/ Publications	2005-06			2008-09			Increase/ Decrease in %age
		Capital Employed	PBIT	PBIT as %age of Capital Employed	Capital Employed	PBIT	PBIT as %age of Capital Employed	
1	Jagran Prakashan	40,301	5,832	14%	47,386	14,110	30%	16%
2	HT Media	77,912	7,471	10%	68,795	14,620	21%	11%
3	Deccan Chronicle	73,430	11,552	16%	119,129	27,886	23%	7%
4	Times of India	94,946	64,802	68%	77,983	59,041	76%	8%
5	Sandesh	13,111	726	6%	21,083	4,353	21%	15%
6	The Mathrubhumi	10,504	1,282	12%	16,323	1,170	7%	-5%
7	Sakaal	11,173	3,141	28%	20,845	2,019	10%	-18%
	<b>TOTAL</b>	<b>321,377</b>	<b>94,806</b>	<b>29%</b>	<b>371,544</b>	<b>123,199</b>	<b>33%</b>	<b>4%</b>

4.2.3.2 During the year 2008-09, Capital Employed of all the 7 newspapers has increased except HT Media and Times of India as compared to the year 2005-06. Capital Employed has been decreased in respect of HT Media and Times of India, primarily due to investment activities.

4.2.3.3 During the year 2008-09, PBIT as a percentage of Capital Employed of all the 7 newspapers taken together has increased from 29% in 2005-06 to 33% in 2008-09. All the newspapers, except Mathrubhumi and Sakaal, have shown increase in PBIT as a percentage of Capital Employed.

#### **4.2.4 Conclusions**

4.2.4.1 From the above analysis, it may be concluded that PBIT as percentage of Operating Revenue in respect of all the 7 newspapers/ publications taken together declined by 4% in 2008-09 as compared to 2005-06. However, during the same period, PBIT as percentage of Capital Employed increased by 4%. *This indicates that although operating revenue of seven publications taken together has decreased, the profitability increased during the same period.*

#### **4.3 ET 500**

4.3.1 Representations for increasing rates have been forthcoming from the large newspapers. Newspapers have been claiming that they have been losing badly because of less revenue. Therefore, a separate analysis was made by the Office of Chief Adviser Cost from the data published by Economic Times. Economic Times brings out the list of 500 top Indian Companies showing performance of Indian corporates and their achievements. Operating Revenue and Profit After Tax (PAT) of these ET-500 companies during the year 2008-09 has been compared with that of 7 big publications in the following table:

### Comparison of ET-500 companies with 7 big publications

(Rs. In Lakh)

	<b>Operating Revenue</b>	<b>PAT</b>	<b>PAT as %age of Operating Revenue</b>
Jagran Prakashan	84613.84	9163.05	10.83%
HT Media	135777.17	8523.05	6.28%
Deccan Chronicle	85761.52	14007.09	16.33%
Times of India	437507.59	24803.63	5.67%
Sandesh	29306.95	3907.79	13.33%
The Mathrubhumi	29847.89	93.33	0.31%
Sakaal	33221.43	255.38	0.77%
<b>Total of 7 Publications</b>	<b>836036.39</b>	<b>60753.32</b>	<b>7.27%</b>
ET -500	173230.61	9006.64	5.20%
ET -500- Top 10	1284616.71	56545.08	4.40%
ET -500- Top 20	1648208.87	92563.72	5.62%

4.3.2 The net profit margin ratio (PAT as percentage of Operating Revenue) indicates that how much profit a company makes for every rupee it generates in revenue or sales. Profit margins vary by industry, but all else being equal, the higher a company's profit margin compared to others, the better.

4.3.3 It is evident from the above table that during the year 2008-09, PAT as a percentage of Operating Revenue of all the 7 publications taken together was higher (7.27%) than ET-500 (5.20%), ET-500 (Top 10) (4.40%) and ET-500 (Top 20) (5.62%) companies.

4.3.4 It is also evident that PAT as percentage of Operating Revenue for 5 publications individually, except Mathrubhumi and Sakaal, was higher than that of ET-500, ET-500 (Top 10) and ET-500 (Top 20) companies respectively.

4.3.5 *The above analysis shows that, on the profitability aspect, the publication companies were better off in 2008-09 as compared with top companies of India considering the data of ET-500 companies as compiled by Economic Times.*

#### **4.4 Data received through Replies to the Questionnaire and collected from other sources**

4.4.1 As decided by the Rate Structure Committee in its meeting dated 17.2.2009, a Questionnaire was circulated to all concerned, including 4,605 newspapers/ periodicals seeking their comments by 15<sup>th</sup> March, 2009.

4.4.2 Through the Questionnaire certain data/ information about the newspapers/ periodicals was sought which included:

- i. General information about the newspaper/ periodical including standard size, average percentage area printed, average percentage of advertisement space, average circulation etc.
- ii. Income and expenditure details.
- iii. Details of newsprint, ink and plates (indigenous and imported) consumed.
- iv. Comments on the existing formula or a suggested new formula alongwith reasons and suggestions.

4.4.3 The replies to the Questionnaire were received only from 49 newspapers/ periodicals **(Annexure – V)**. After scrutiny of replies, it was found that these replies contained sketchy data grossly insufficient for study. Data-gaps as under were identified:

- i. Financial figures given in the reply to the Questionnaire were not duly certified by practising Cost Accountant as required vide para 3 of the 'Guidelines for filling up the Questionnaire' given on page 3 of the Questionnaire.
- ii. Copy of Annual Report consisting of Audited Balance Sheet, Profit and Loss Account and Schedules were not provided.
- iii. Quantity and Value of Newsprint, Ink and Plates consumed was not indicated. In many cases the quantity and value as given in the Annexures, Proforma and Profit and Loss Accounts were not tallying.

- iv. Average weight of newsprint was mentioned differently at different places of the Questionnaire.
- v. Separate Profit & Loss Account and Balance Sheet in respect of each edition/ periodicals for the years 2006-07, 2007-08 and 2008-09, duly reconciled with Annual Report of the organisation were not submitted.

4.4.4 Efforts were made by DAVP and Adviser (Cost) by writing letters to newspapers/ periodicals for sending requisite data. Letters were also written to the newspapers/ periodicals who had submitted replies to the Questionnaire requesting them to submit further data/ information identified as data-gaps. Finally, requisite data/ information from 22 newspapers/ periodicals only were received in the form of replies to the Questionnaire, which was found usable for the purpose of the study.

4.4.5 In addition to the replies to the Questionnaire, efforts were also made to obtain data/ information from other sources, particularly in respect of big newspapers/ publishers. Annual Reports in respect of HT Media, Jagran Prakashan and Deccan Chronicle were obtained from the published sources/ their web-sites. Annual Reports were also obtained directly from Bennett Coleman & Company Limited and Sandesh. These efforts resulted into availability of usable data from 27 newspapers/ publishing houses comprising of small, medium and big newspapers/ publications as given in the following table:

Total Income	Categorisation	Number of Newspapers/ Publications
Less than or equal to Rs.50.00 lakh	Small	6
More than Rs.50 lakh but less than or equal to Rs.100 lakh	Medium	7
More than Rs.100 lakh	Big	14
<b>Total</b>		<b>27</b>



4.4.6 Although the number of newspapers/ publications whose data is analysed is only 27, the Committee found that, in the given circumstances, the same is sufficient for the purpose of this Report for the following reasons:

- i. 27 newspapers/ publications comprise of small, medium and big newspapers/ publishers.
- ii. These 27 newspapers/ publications comprise of around 140 newspapers/ periodicals/ editions in all.
- iii. These 27 newspapers/ publications taken together shared about 34% of the total advertisement expenditure of DAVP during the year 2008-09.
- iv. Data was not forthcoming despite best efforts made by DAVP/ Office of Chief Adviser Cost/ Ministry of Information and Broadcasting.
- v. Newspaper Associations, despite given sufficient time and opportunities, did not come forward with further data/ information.

## CHAPTER - 5

### RATE STRUCTURE – ISSUES

#### 5.1 Rate Determination Factors

5.1.1 Following are the factors that determine the Rate Structure:

- Newsprint cost
- Manpower costs
- Processing costs
- Reasonable profit
- Technology up-gradation investments
- Weightage for pulling power
- Reduction in size by some newspapers and consequent reduction in the column width
- Percentage of commission to be considered in fixing the rate
- Weightage for small and medium newspapers
- Additional weightage factor to be provided for unbound weeklies, fortnightlies and monthlies
- Rates applicable for bound periodicals
- Rate applicable for colour advertisements
- Escalation formula to take care of increase in costs during the pricing period
- Rates applicable for multi edition newspapers
- Rate for Advertorials

#### 5.1.2 Pricing Period

- Date from which the revised rates would be made applicable
- Period upto which the revised rates would be applicable
- Periodicity for revision of rates

#### 5.1.3 Pulling power

5.1.3.1 Pulling power of the newspaper is an important criterion in evolving suitable rate for advertisement. Hence, it was conceded that the pulling power of

newspaper has to be recognised in evolving a fair rate. While emphasizing pulling power as a relevant factor in determining DAVP advertisement rates, newspapers should also appreciate the fact that Government advertisement is a separate category. Apart from having certain amount of news value, they provide useful information to the reader.

- 5.1.3..2 Appearance of advertisements such as UPSC recruitment advertisements in a newspaper thus adds to its pull and prestige and attracts a significant class of clientele. Various policies, programmes and schemes/ missions of the Government which are being introduced or are in progress, work as a pulling power to newspapers carrying such advertisements. A balanced view has thus to be taken on this aspect.

## **5.2 Technical Parameters**

- 5.2.1 The newspapers empanelled with DAVP generally use Standard Newsprint with weight of 45 to 48 gsm, which comes in rolls of width 30- 33 inches. Some dailies are also using glazed newsprint for inserts and special supplements. There are also periodicals, which use glazed newsprint. Some of the small newspapers go for cut sheet newsprint available in reams, which is much cheaper than standard newsprint. Some very small newspapers are also using recycled newsprint, which is the cheapest, costing around Rs.17000 per MT.
- 5.2.2 The percentage of area printed to total available area of a newspaper varies from newspaper to newspaper depending on the size and quality of the newsprint and the printing methodology. In majority of the newspapers it is around 90%; however, in some of the big newspapers it is as high as around 95%.
- 5.2.3 Most of established newspapers have reduced their size bringing it in line with the size of newspapers prevailing internationally resulting in reduction in column width. This column width (3.8 cms) is about 22% smaller than the earlier standard column width of 4.87 cms. Eight-column format has been the standard in the industry for years. The narrower column width has resulted in deviation from the standard column width prevailing earlier. The number and the size of columns also sometimes vary from page to page and even on the

same page column size varies.

- 5.2.4 The per column size of 5 cm. has undergone drastic change due to technological advancements. The column size is now totally flexible in some of the major newspapers, depending upon the need, besides the factors like availability of advertisements, its size, news and pictures etc.

## CHAPTER - 6

### PROPOSED RATE STRUCTURE

#### 6.1 General

6.1.1 Archival quality of newspapers is assumed to be one of the biggest assets of newspapers. Newspaper industry is slated to grow manifold, with growth rate circling around 6%. Its market share is projected to grow from Rs. 56,300 crore to Rs.92,900 crore by the end of 2013, as per the research made by the Price Waterhouse Coopers. Print media in India has not only survived the onslaught of electronic and internet media but has been able to retain its market share and is also drawing at remarkable pace in reach, size and technological advancements to provide a better product to its readers as well as advertisers. The world is becoming more digital but technology has helped newspapers as much as the Internet. The number of Newspapers and their circulation is therefore increasing rapidly.

#### 6.2 Rate Structure for Dailies and Unbound Publications

6.2.1 Keeping in view that pricing should not only be fair but also transparent, factors discussed in the preceding chapters on the existing rate structure of DAVP advertisements, the views of newspaper establishments/ their associations, analysis of the data received, the Committee after deliberation on all issues involved, recommends that broadly the parameters of the existing rate structure may be continued with updation of costs.

6.2.2 The Committee received replies to the questionnaire from 49 newspapers. These units include mostly small and medium newspapers/ periodicals, spread across different parts of the country. They also represent English as well as language publications.

6.2.3 It is recommended that the DAVP advertisement rate should have the following components:

- Newsprint Cost

- Processing Charges
- Reasonable profit
- Weightage for small and medium newspapers
- Pulling Power Weightage for higher circulation
- Commission for Display advertisements

### **6.3 Newsprint Cost**

6.3.1 If a daily newspaper has a circulation of one lakh copies and if an advertisement of one column cm with standard column width of 5 cm is printed in all the one lakh copies, the total area of the advertisement will be equal to 5 lakh sq. cm or 50 sq. metres. Though some of the newspaper units are using newsprint of varying weights, the majority of them use 45- 48 grams per sq. metre and hence the Committee has considered weight of standard newsprint, as 45-48 grams per sq. metre. Therefore, for a circulation of one-lakh copies, an advertisement of one column cm with standard column width of 5 cm, will consume about 1.2 kg of newsprint of 48 gsm. However, in case gsm of newsprint is less and column width as has now been reduced by some of the newspaper units to less than 5 cm, the newsprint consumption would proportionately reduce. Broadly, newsprint consumption per square centimetre would be 0.24 kg for a circulation of one-lakh copies.

6.3.2 Newsprint is manufactured from either pulp or waste paper. The prices of waste paper and pulp in the international market, of late have been rising. This apart for imported newsprint and pulp/ wastepaper shipping freight has also gone up due to steep hike in crude prices. The domestic newsprint industry has broadly followed the trend in Global newsprint prices. However, the domestic newsprint has always been and is likely to remain less costly vis-à-vis imported varieties. India is one of the countries where its Newspaper Industry is experiencing a healthy growth. The consumption of newsprint is going up substantially, year after year, and demand, has always been and is likely to, stay above the domestic supply.

6.3.3 Newsprint price forms the basis of DAVP advertisement rate structure. Processing cost of newsprint/ periodicals, covering all the items of costs connected with publication of newsprint/ periodicals, is also calculated and then

translated as a percentage of newsprint cost.

- 6.3.3.1 It was noted by the Committee from the Monthly Wholesale Price Index published by Office of Economic Adviser, Ministry of Commerce and Industries that the cost of newsprint showed an increasing trend during the second half of 2008 and, thereafter, started declining as depicted in the flowing table:

Monthly Wholesale Price Index of Newsprint

Month/ Year	2004	2005	2006	2007	2008	2009	2010
January	142.0	146.9	154.0	163.5	161.2	174.7	166.3
February	141.8	147.7	156.5	163.0	162.5	170.5	166.3
March	142.1	148.0	159.8	161.1	162.5	168.1	166.4
April	141.6	150.3	159.8	160.6	177.0	166.7	174.7
May	142.3	151.7	159.8	161.5	174.0	167.0	173.1
June	142.4	152.7	159.8	161.1	181.7	166.4	175.8
July	142.1	152.7	161.9	161.1	181.9	165.0	
August	142.6	153.0	163.1	161.1	184.3	165.1	
September	143.6	151.2	163.2	160.1	184.9	165.1	
October	143.6	151.2	163.4	159.7	183.3	164.7	
November	144.7	151.4	163.4	159.9	183.3	165.5	
December	146.9	151.8	163.4	159.8	181.1	165.5	

- 6.3.3.2 It may be observed from the above table that Newsprint Index by the end of 2009 more or less reached the level of the second half of 2006 and first half of 2007. The earlier Committee in its Report implemented w.e.f. 1.1.2006 took the cost of standard newsprint as Rs.26,500/- per MT when the index was at 154. With the index having risen to 175.8 in June, 2010 newsprint cost rises to Rs.32,262 per MT. This is arrived at by using newsprint price index of June, 2010 and taking monthly average of index number of 2004- 05 as base and is computed as below:

$$\begin{aligned}
 &= [(WPI1) / WPI0] \times NPP0 \\
 &= [175.80 / 144.40] \times 26,500 \\
 &= 32,262
 \end{aligned}$$

Where:

WPI1 = WPI in June, 2010

WPI0 = Average Monthly WPI for the period April, 2005  
to March, 2006

NPP0 = Base newsprint price, i.e., Rs.26,500 per MT  
(as per the previous Report of 2005)

6.3.3.3 On analysing the cost data of 27 units, received by way of replies to the questionnaire and also obtained from other published sources, the rate of newsprint was found to be ranging from Rs. 16,597/- (Amrit Kalash) to Rs.40,693 (Deccan Chronicle) per MT. Average of newsprint cost of 27 publications comes to Rs.36,206 per MT. Since this average is based on the data for the year 2008-09, the data was brought to the current level by using the index numbers shown in the forgoing table. Accordingly, cost of paper per unit comes to Rs. Rs.34,006 per MT using the average of index number for the last twelve months (July, 2009 to June, 2010) and taking average of index numbers for the year 2008-09 as base as shown below:

$$\begin{aligned} &= [(WPI1) / WPI0] \times NPP0 \\ &= [167.87 / 178.73] \times 36,206 \\ &= 34,006 \end{aligned}$$

Where:

WPI1 = Average Monthly WPI for the period July, 2009  
to June, 2010

WPI0 = Average Monthly WPI for the period April, 2008  
to March, 2009

NPP0 = Base newsprint price, i.e., Rs.36,206 per MT

6.3.3.4 Apart from the above analysis, efforts were made to collect the Newsprint prices directly from newsprint manufacturers. Some of the manufacturers forwarded newsprint price during 2009-10 which are given below:

	(Rs./ MT)
Rama Newsprint (44 gsm) -	19,775
Hindustan Newsprint -	23,108
Sun Paper Ltd. -	29,000
Rama Paper Mills Ltd. -	28,821



6.3.3.5 Newsprint price as intimated by newsprint manufacturers varied from Rs.19,775 to Rs.29,000 per MT. It may also be mentioned that the prices intimated by the manufacturers are not for the same variety of newsprint. Moreover, these prices are exclusive of transportation cost which may widely vary depending upon the distance between the paper mill/ distribution depot to the newspapers/ periodicals. Due to these factors, these prices have not been used for the purpose of arriving at the advertisement rates but seen to indicate that calculation of newsprint cost by the Committee is on the right lines.

#### **6.3.4 Conclusion on Newsprint Price**

6.3.4.1 In view of the above, newsprint price is recommended to be taken as 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 (WPI) for the period from July, 2009 to June, 2010 (rounded off to the nearest hundred rupees). Glazed paper price has been taken as 125% of standard newsprint price.

#### **6.4 Processing Cost**

6.4.1 The processing cost includes all items of expenditure incurred by a newspaper establishment other than newsprint, viz.,

- ink,
- films,
- plates,
- salaries and allowances of staff and officers,
- establishment expenses,
- subscription to news and other agencies,
- telecommunication and other information technology related expenses,
- distribution costs,
- depreciation on assets, etc.

6.4.2 As stated earlier, the Committee analysed the expenditure incurred by 27 newspapers/ periodicals. Expenditure in respect of all of the factors stated above have been considered while arriving at the processing cost of each

newspaper/ periodical. Since the data received and analysed pertain to the year 2008-09 and considering the fact that the proposed rates would be applicable after the financial year 2009-10, suitable escalation on the basis of relevant Index Numbers has been built in the average processing cost as percentage of newsprint cost, to meet the higher expenditure on manpower and other elements of processing costs listed above till June, 2010. After escalation, processing cost works out to 139% of the cost of newsprint.

## **6.5 Information Technology**

- 6.5.1 The spread of information technology (in terms of hardware and software) is pervasive in all fields including Newspaper industry. The Standing Committee on Information Technology (2002) in their 32<sup>nd</sup> Report while examining the “Entry of Foreign print media and foreign direct investment in print media” recognized the sweeping changes which were taking place, in both print and electronic media, due to technological innovations. The Committee recommended that the Government consider suitable measures to deal with the problems of shortage of capital being faced by the newspapers in the country.
- 6.5.2 Keeping this in view, the previous DAVP Rate Structure Committees, while giving their recommendations in 2002, for the first time, took into account an additional provision for newspapers/ periodicals to meet this technology up-gradation cost in arriving at the total processing cost on an overall basis considering the factors mentioned at para 6.5.1 above. Subsequent Rate Structure Committee, while giving its recommendations in 2005, noted that *‘technological advances world over have made newspapers less expensive to produce, especially if, the print order is large. It is likely to result in a shift in production from in-house publishing to setting up of regional mass printing centers with latest technology. Media companies have begun heading to cheaper, spacious and infrastructural better places. Substantial investments have been made especially by very large newspapers in technological up-gradation of their news-gathering, communication and installing state of the art printing facilities’*. The Committee further observed that *‘Medium and Small newspapers have also not escaped this technology invasion. A very large number of Medium newspapers are now being brought out in colour or at least*

*cover pages are in colour. This is also helping the newspaper establishments to increase their circulation not only in their traditional areas but also reach readers in hitherto unexplored cities and towns. Small newspapers are also upgrading their news collecting and printing technology by partially/fully computerizing their operations.* The Committee in its Report issued in 2005 recommended to continue to take into account the additional provision for newspapers/ periodicals to meet technology up-gradation cost in arriving at the total processing cost on an overall basis.

- 6.5.3 Five years down the line, barring very small newspapers/ periodicals and also those which are situated in far-flung areas, most of the newspapers have already switched over to the latest technology. It was observed from the Profit and Loss Accounts of the newspapers/ periodicals that expenditure like depreciation on computer and information technology equipments, rent for data circuit, and the like, have been provided for by the newspapers/ periodicals indicating that the newspapers/ publications have upgraded the technology. Thus the Committee feels that provision for technology up-gradation given for the first time by the Rate Structure Committee of 2002 which were allowed by Rate Structure Committee of 2005 is no more required.

## **6.6 Profit Margin**

- 6.6.1 The existing rate structure includes a reasonable profit on cost. An analysis of the cost structure, investment and related aspects in some of the major newspaper establishments was carried out and the same is discussed in detail in Chapter 4 at Para 4.2 and Para 4.3 of this Report. This analysis shows that the rate of reasonable profit adopted by the Committee for determining the rate structure is fair and reasonable.

## **6.7 Pulling Power Weightage**

- 6.7.1 The existing rate structure also includes a provision, in addition to newsprint cost and processing charges, of cost towards Pulling Power for newspapers/periodicals having circulation over a specified number of paid copies. Various newspaper units have been arguing in favour of enhancing the pulling power weightage. After detailed deliberations, the Committee

recommends that the same may be retained at the previous level, as it will be just and fair to all stakeholders.

## **6.8 Commission to DAVP and Series Discount to UPSC**

6.8.1 Under the existing arrangement, a commission of 15% on the total rate, after adding such commission, is paid to DAVP on advertisements. Accordingly, 15% commission has been provided on the total rate in the current exercise. UPSC advertisements published in columns of newspapers are subject to 10% series discount in addition to the commission of 15% paid to DAVP. The Committee feels that this practice may continue.

## **6.9 Proposed Rate Structure**

6.9.1 Based on the factors discussed above, the proposed basic rate structure, after taking into account Newsprint cost, Processing and allied costs, weightage for Small and Medium Newspapers, Reasonable Profit besides Commission payable to DAVP as advertisement agency, works out at Rs.159.32 per column centimetr with standard column width of 5 cms. for one lakh circulation. This is against the rate of Rs.114.31 per column centimetre with standard column width of 5 cms. recommended by the previous Committee. The rate recommended is exclusive of all duties, taxes and cesses.

6.9.2 It may be mentioned that the increase is mainly on account of higher newsprint cost, salary levels, increase in subscription rates of news/ photo agencies, investment in new plant and machinery etc.

6.9.3 The rate structure proposed is normative in character. It ordinarily holds good for all levels of circulation. However, having regard to the economics of small and medium newspapers, appropriate weightage has been provided for them.

6.9.4 The Committee, after deliberations, recommends 10 slabs rate structure as indicated in **Annexure VII** for publications of Daily, Weekly, Fortnightly and Monthly on the basis of circulation of copies for circulation up to 1,00,000.

6.9.5 The Committee took into account the developments taking place in the

newspaper industry especially the initiative taken by some major newspapers to adopt the international dimensions that has resulted in reduction of page width by about 15%. The Committee was informed that a number of other newspapers have also followed the new dimensions as internationally the newsprint is available in only new dimensions/ sizes. The present standard column width is 5 cm. Newspapers who have switched over to new dimensions are having variable column width, that differs from page to page and sometimes even on the same page, columns are of different width. In view of this, for rate purposes, standard advertising unit should continue to be of square centimetre.

- 6.9.6 The rate worked out and indicated in paragraph 6.9.1 is for column centimetre with standard column width of 5 cm for one lakh circulation. In view of the position explained in the previous paragraph, this rate has been reworked for one square cm. for one lakh circulation. The rate for the standard advertising unit of one square cm. for one lakh circulation will be Rs.31.86 with standard newsprint and Rs.36.59 with glazed paper, the details of which are shown in **Annexure VI.**
- 6.9.7 The rate recommended by the Committee has been determined taking into account the various elements of costs, weightage for small and medium newspapers, pulling power and commission besides reasonable profit. **Annexure VI** to this Report details the rate structure for newspapers and periodicals with the circulation up to 1,00,000. For newspapers and periodicals with circulation beyond one lakh, the same may be applicable proportionately for every increase of 1,000 copies.
- 6.9.8 Historically the unbound weeklies, fortnightlies and monthlies have been given an additional weightage factor compared to dailies. The differential for unbound weeklies, fortnightlies and monthlies has been in vogue since 1977. The last Committee recommended this differential at Rs.3.00 and Rs.6.00 for weeklies/ fortnightlies and monthlies respectively. These differential rates are recommended to be kept at the same level. The proposed rate structure at different levels of circulation for dailies and unbound weeklies/ fortnightlies and monthlies is detailed at **Annexure-VII.**

6.9.9 In case card/ actual rate of any newspaper/ periodical is lower than rate worked out based on the formula; card/ actual rate will be the ceiling rate applicable.

## **6.10 Rate Structure for Bound Periodicals**

6.10.1 The rate structure discussed in the earlier paragraphs covers daily newspapers/ periodicals published in the standard/ tabloid size. They are usually printed in standard newsprint and not bound.

6.10.2 Periodicals like Business Today, Sports Star, PC Quest, Darpan, Stardust, Meri Saheli, Sarita, Women's Era, Femina, Vogue, India Today, Readers Digest, etc. fall in different category. In comparison with standard newsprint, they are published using better quality paper. They are usually bound. Such periodicals incur extra expenditure in art works, designs and pictures. Most of them use glazed paper and some use lightweight coated and art paper. The printing cost of the periodicals is higher. These periodicals involve higher circulation costs. The periodicals have longer shelf life, better readership profile and thus, better pulling power. The rate structure for advertisement in the periodicals, as recommended by the previous Committee, covers the following:

- Cost of paper used by the periodical to be replaced in place of the newsprint cost adopted in the rate structure.
- Higher processing charges as compared to one adopted for dailies.
- Additional margin, pulling power weightage, weightage for small publications, commission for display advertisements etc. as applicable for newspapers depending upon the circulation levels.

6.10.3 Committee recommends that the same parameters for determining the rate structure for bound publications may be retained. The percentage of processing charges adopted for bound publications have been taken at 50% higher than that for newspapers/ unbound publications. The rate for the standard advertising unit of one square cm. for one lakh circulation of bound publications with standard newsprint and with glazed paper have been worked out and adopted for computing fair rate structure and detailed at **Annexure-VI**.

## **6.11 Advertisements in colour**

6.11.1 Many Central Government Ministries/ Departments/ Other organizations request DAVP for getting their advertisements printed in colour. Keeping this in view, in bringing the advertisement in multi-colours as against black and white certain extra cost is involved. Colour advertisement involves additional cost of ink, plates, films and processing charges. The previous Committee recommended 40% higher rate for colour as compared to the rates for black and white advertisements. This Committee also recommends continuing to give rates higher by 40% in respect of multi-colour advertisements.

## **6.12 Escalation**

6.12.1 The rate structure is based on the cost of newsprint of Rs.34,000 per MT. For the purpose of regulating the rate of advertisement, the Committee recommends to put in place mechanism to revise the rates once in a year based on the newsprint price index maintained by Ministry of Commerce and Industries. This may be substantiated, if felt necessary, representative rate of newsprint cost from major selected units, consultation with INS, data from indigenous newsprint manufacturers and Indian Customs (Imported newsprint) and other sources. Escalation, if required, may be regulated in consultation with Office of Chief Adviser Cost, Ministry of Finance.

6.12.2 Another important aspect of the cost structure is processing charges. The existing rate structure has been revised from time to time depending upon the movement of the All India Consumer Price Index. On the basis the movement of All India Consumer Price Index as in April each year over the level in previous year, escalation may be provided in consultation with Office of Chief Adviser Cost, Ministry of Finance.

6.12.3 The escalation formula will be the basis to provide escalation in case of dailies, weeklies, fortnightlies, and monthlies whose basic rate is related to newsprint cost. A sample escalation formula applicable in the case of dailies, weeklies, fortnightlies, and monthlies, which are unbound and using standard newsprint, is given in **Annexure-VIII**. The rates for glazed paper will be different. For advertisements in glazed paper etc., escalation may be provided with reference

to the corresponding rates indicated earlier. The escalation formula applicable in such cases would be as per the sample calculation given in **Annexure-IX**.

6.12.4 Similar sample escalation formulae applicable for bound publications are also provided in **Annexure-X** and **XI**.

6.13 The rate recommended by this Committee will be effective from the date to be notified by the Government separately, with a provision of annual up-gradation on the basis of the escalation formulae as mentioned in the previous paragraphs. For this purpose, the revised price of newsprint/ glazed paper should be on the basis of average of immediately previous six months landed cost of newsprint/ glazed paper.



## CHAPTER – 7

### ISSUES IN IMPLEMENTATION OF RATE STRUCTURE

#### 7.1. Circulation Check

7.1.1. DAVP as expert mass media agency of the Central Government focuses on creating value for money for its customers who are various Departments/Undertakings of the Government. The Committee noted that square centimetre method of fixing rate for the space utilized, suggested by 2002 committee in its report and adopted by subsequent Rate Structure Committee of 2005, has by and large been accepted by the newspaper organizations.

7.1.2 As may be noted, the advertisement rates per column centimetre, in force from time to time, vary according to the level of circulation. Circulation shall always mean the average net paid circulation of the entire period as certified by the certifying authority. DAVP takes into account the circulation figures, as certified by the certifying authority. As per the present policy of DAVP, the certifying authority for various levels of circulation is as under:

- i) For circulation upto 25000 - Practicing Cost Accountant/ Chartered Accountant or Statutory Auditor in prescribed Proforma or ABC certificate.
- ii) For circulation above 25000 and upto 75000 - Registrar of Newspapers of India (RNI) or Audit Bureau of Circulation (ABC) or Statutory Auditor (in case of a company) or Chartered Accountant (in case of individuals) in prescribed Proforma.
- iii) For circulation more than 75000 - ABC /RNI certificate.

7.1.3 DAVP has more than 4,500 newspapers/ periodicals on its panel. Out of these, over 300 newspapers are the members of ABC. Since RNI has a limited capacity to check circulation, DAVP relies on certificates issued by Cost Accountant/ Chartered Accountant also for circulation upto 25,000. ABC/ RNI may empanel practicing Cost Accountants/ Chartered Accountants to carry out

circulation check. For circulation above 25,000 and upto 75,000, Cost Accountant in practice may also be authorised to issue certificate in the prescribed format in addition to statutory auditor/ practicing Chartered Accountant/ ABC. It is recommended to continue with certification of circulation upto 25000 by the practicing Cost Accountant/ Chartered Accountant in the prescribed format as given at **Annexure – XII**.

- 7.1.4 The regularity norm fixed by DAVP as per Advertising Policy is 300 issues for dailies (i.e., 25 issues per month), 46 issues for weeklies (i.e., 23 issues), 24 issues for fortnightlies and 10 issues for monthly publications in one year. However, RNI follows a different norm. The Committee feels that a uniform norm may be adopted by both RNI and DAVP in this case.
- 7.1.5 The Audit Bureau of Circulation (ABC), while calculating average paid circulation per publishing day, takes into account copies sold at commission not exceeding 40%. On the other hand, RNI has now adopted 50% as limit. However, Chartered Accountants do not take into account percentage of commission. The Committee recommends that ABC/ RNI/ Cost Accountants/ Chartered Accountants must adopt the percentage of commission as is followed by ABC i.e. a maximum of 40% of the cover price.
- 7.1.6 At present, ABC works out circulation figures of half yearly and issues Certificates, one for the period from January to June and other from July to December each year.

## **7.2 Combined Rates for Multi Editions**

- 7.2.1 Prior to 1995, DAVP used to offer combined rates to chain group of newspapers. The discounts given by multi editions of newspapers were as under:

Single Edition	: No discount
Two Editions	: 12.5%
Three Editions	: 17%
Four Editions	: 25%
Five Editions	: 32.5%
Six Editions	: 35%

7.2.2 Since in some cases, anomalies crept in and multi rates of some combined rates showed downward trend, the practice of offering the combined rates for chain group of newspapers was done away with in 1995. Now, with the advent of technology it has become possible to bring out multi-edition newspapers easing their distribution problems and enabling them to cover local news more effectively. However, some multi edition newspapers have started amalgamating the circulation of their weak editions with the main edition of the newspaper to score higher rates from DAVP resulting in loss to the exchequer. Giving a combined rate for different editions brought out from different stations when all the editions have the same RNI registration number is anomalous. In order to do away with such practice, the previous Committee recommended that each edition of a chain group of newspaper printed in one place be treated as a separate entity on merit of its circulation and offered separate rate. This was accepted by the Government and discontinued from 1.10.2002. The renewed demand of newspaper establishments has again been considered by the Committee and felt that no change is required in the existing practice as the recommended Rate Structure is based on circulation.

### **7.3 Special rate for Sunday Edition**

7.3.1 There are some publications on the DAVP approved media list, which have Sunday editions with different RNI Registration Number and slight variation in title. There are some occasions, which fall on Sundays, and client departments insist on publishing their advertisements invariably in Sunday editions. To overcome this difficulty, DAVP suggested that Sunday editions of daily newspapers be treated as dailies for the purpose of placing advertisements of DAVP and the rates prevailing for weekdays of concerned dailies would be applicable for such advertisements instead of weekly rate for Sunday edition. Since the Rate Structure being recommended by the Committee is based on circulation of newspapers, the Committee is not in favour of any change in present arrangement.

### **7.4 Routing of PSUs/ Autonomous Bodies Advertisements through DAVP**

7.4.1 The Directorate of Advertising & Visual Publicity (DAVP) is the nodal agency of

Government of India for advertising by various Ministries and organisations of Government of India including public sector undertakings. The matter of routing advertisements of all PSUs and Autonomous Bodies of Government of India through DAVP has been engaging attention of Government for some time. Since 1959, various authorities in the Government and of Parliament, as indicated below, have emphasized the need of routing all such advertisements through DAVP:

- Central Economic Board in their report in 1959;
- Estimates Committee of Parliament in its 158<sup>th</sup> Report;
- Committee on Public Undertakings in its 47<sup>th</sup> Report (4<sup>th</sup> Lok Sabha);
- Public Accounts Committee in its 173<sup>rd</sup> Report; and,
- Committee of Secretaries in their meeting held on 19.2.1991.

7.4.2 As per Clause 3 of the New Advertisement Policy issued by Government of India, Ministry of Finance that came into effect with effect from 2<sup>nd</sup> October, 2007 Public Sector Undertakings, Autonomous Bodies and Societies of Government of India may issue all advertisements directly at DAVP rates to empanelled newspapers. The Committee was informed that at present, many PSUs are releasing their advertisements directly to newspapers at rates different from DAVP advertisement rates. The matter was discussed in detail. The Committee recommends that all PSUs, Autonomous Bodies and Societies of Government of India may issue all their advertisements at DAVP rates. The Government may issue a communication to all Ministries to advise PSU's, Autonomous Bodies and Societies of Government of India under their administrative control to release their advertisements at the rate which is not higher than DAVP advertisement rates.

## **7.6 Circulation Check – Exemption Limit**

7..1 It was observed from DAVP that the possibility of a number of newspapers empanelled with DAVP claiming exaggerated circulation figures cannot be ruled out. Keeping in view the shortage of manpower in RNI to make spot checks of such newspapers and practical difficulties faced by DAVP, the Committee recommends continuing the present position of circulation certification by practicing Cost/ Chartered Accountants in respect of newspapers having circulation above 5000 based on the records maintained by such newspaper establishments.

## CHAPTER – 8

### COMMITTEE'S RECOMMENDATIONS

#### 8. RECOMMENDATIONS

8.1 The Committee, after considering various representations from the newspaper establishments and their associations, in-depth analysis of the data and other information made available and detailed deliberations on the issues involved, makes the following recommendations for consideration of the Government:

8.1.1 Card rates cannot be agreed to as information on how these rates are determined was not forthcoming despite repeated requests. Factors other than costs that are taken into account to arrive at the card rate were also not disclosed. Variation in discounts offered on card rates and the methodology of determining the discount offered on card rates was also not provided.

8.1.2 Committee recommends a rate of Rs. 159.32 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of dailies, worked out on the basis of cost of newsprint at Rs.34,000 per MT for *standard newsprint* and also other various elements of costs, pulling power weightage and weightage for Small and Medium Newspapers, Reasonable Profit besides Commission payable to DAVP as advertisement agency.

8.1.3 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. 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.

- 8.1.4 Committee recommends a rate of Rs.182.94 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of unbound dailies, worked out on the basis of *glazed paper* at Rs.42,500 per MT and also other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.
- 8.1.5 Committee recommends a rate of Rs.205.65 and Rs.229.27 per column centimetre, with standard column width of 5 centimetres for one lakh circulation of bound publications, worked out on the basis of newsprint at Rs.34,000 for *standard newsprint* and 42,500 per MT for *glazed paper* respectively considering other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.
- 8.1.6 Committee recommends continuing with the rates for colour advertisements higher by 40% as compared to the rates for black and white advertisements.
- 8.1.7 Since the Rate Structure being recommended by the Committee is based on circulation of newspapers, the Committee is not in favour of any special rate for Sunday editions of daily newspapers. For Sunday editions, it recommends continuing with the rates prevailing for weekdays of concerned dailies.
- 8.1.8 Committee recommends that 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.

- 8.1.9 Committee recommends continuing with 10-slabs rate structure for publications of Daily, Weekly, Fortnightly and Monthlies on the basis of circulation of copies.
- 8.1.10 Many of the newspapers have adopted international dimensions for publishing, resulting in reduction in overall size by about 15%. The Committee, therefore, recommends continuing the practice of using standard advertising unit for rate purposes as square cm. The recommended rate per square cm is Rs.31.86 for one lakh circulation of dailies. 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 centimetre of actual space used for advertisement may be paid.
- 8.1.11 Rate structure recommended would be valid for a period of **three years** effective from *prospective date*, considering the practical difficulties during implementation as put forward by DAVP. The effective date may be fixed by the Government. In case of substantial variations in the cost of newsprint/ glazed paper the rates may be revised once in a year as per escalation formula given at para 6.12 of Chapter 6 of this Report by making a proposal from Ministry of Information and Broadcasting to the Office of Chief Adviser Cost giving justification for increase in the rates of DAVP.
- 8.1.12 The unbound and bound weeklies, fortnightlies and monthlies have been given usually an additional weightage factor compared to dailies. The Committee recommends that the differential for weeklies, fortnightlies and for monthlies over the rate recommended for dailies as existing be continued.
- 8.1.13 Committee recommends that, 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. Committee also recommends that, 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.

- 8.1.14 Committee recommends that the proposed rates are 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.
- 8.1.15 As per the “New Advertisement Policy, 2007” which came into effect from 2<sup>nd</sup> October, 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.
- 8.1.16 The Committee recommends for an independent study by DAVP/ Ministry of Information and Broadcasting to better understand card rate/ commercial rates to compare with DAVP Advertisement rates. The Committee also recommends developing a mechanism in DAVP for carrying out at regular intervals a cross check of figure of circulation and credential of newspapers.
- 8.1.17 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.



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