

## **EXECUTIVE SUMMARY**

Newspaper in India has a chequered history. The first Indian Newspaper, a weekly, was published in English in Calcutta more than 225 years ago in 1780. The paper was named after its owner, who was also its editor, as Hickey's Bengal Gazette. Another person, a trader, in partnership started the India Gazette in 1781. Hickey's own publication and its competitor India Gazette did not survive long. Later on many enterprising persons started newspapers and some of our newspapers are today over a century old and growing from strength to strength.

(Paragraph 1.1.1)

Government uses the print media to a great extent with the primary objective to secure the widest possible coverage of the intended content of message through various newspapers and journals which are published daily, fortnightly or monthly etc.

(Paragraph 1.1.2)

Directorate of Advertising and Visual Publicity (DAVP) is the nodal multi-media advertising agency of the Central Government. DAVP caters to the advertising needs of all Central Ministries/ Departments including Public Sector Undertakings and Autonomous Bodies.

(Paragraph 1.1.4)

Negotiated rates were the basis for rate fixation for Government advertisements up to May 1967. Public Accounts Committee (PAC) of Parliament in their 173<sup>rd</sup> Report recommended that the Government should lay down uniform rates for advertisements given by DAVP to Newspapers/Periodicals.

(Paragraph 1.1.6 & 1.1.7)

Ministry of Information and Broadcasting constituted Inter Ministerial Rate Structure Committees from time to time. The last committee was constituted in September 2001, which submitted its Report in May 2002. The Committee recommended that for rate purposes, standard advertising unit should be square centimeter instead of column centimeter. The overall increase in rates recommended was about 6.23% over the then existing rates. The Government accepted these recommendations and the revised rates were made effective from 1-10-2002.

(Paragraph 1.2.5)

The Indian newspaper society (INS) and other newspaper establishments represented that the existing DAVP rates are uneconomical in view of all round increase in inputs cost and demanded increased rates. The Government therefore constituted a Rate Structure Committee in November 2004 under the chairmanship of Chief Advisor (Cost), Ministry of Finance to review the existing rate structure and if considered necessary, to suggest a new rate structure formula. The committee was directed to submit the report by 21<sup>st</sup> August 2005.

(Paragraph 2.2.1)

To obtain relevant cost data and other information, a brief questionnaire was circulated to 241 selected newspaper/periodical units covering different languages, regions, levels of circulation etc. Committee also visited 43 newspaper establishments situated in different parts of the country for discussions and spot assessment and interaction on all related issues with the industry. The committee also met the representatives of Indian Federation of Small and Medium Newspapers, Association of Indian Magazines, The Association of Small Newspapers of India, Federation of Small Newspapers & Indian Newspaper Society and INS. The committee also sought details from various State Governments in this regard.

(Paragraph 3.1.1, 3.1.5 & 3.1.6)

Committee wrote to INS and other Associations soliciting their cooperation in obtaining cost data and other relevant information from newspaper establishments. INS however requested their members not to respond to the questionnaire vide their circular No. DAVP/386 dated 14<sup>th</sup> January 2005 and send the information separately to INS instead. The confidentiality of the data/information was one of the main reasons cited by INS for not furnishing the data to the Committee. This misconception was dispelled by the Committee in a meeting held on 24<sup>th</sup> February 2005 with representatives of INS. The Chairman assured INS that the data/information are to be made available from the Audited Annual Accounts of the units, which are public documents. The INS did not agree to modify its approach.

(Paragraph 3.1.2)

Newspaper industry mainly demanded card rates for DAVP advertisements, alternatively substantial upward revision due to high cost of newsprint & wages and increase in cost of processing materials. They requested an allowance for free/unsold copies and post tax return at 14% on net worth as adopted for drug industry. They urged to consider adoption of pulling power in favour of readership profile of each newspaper. They also demanded

combined rate for multi edition newspapers on their combined paid circulation with appropriate discounts.

(Paragraph 3.1.6.)

Committee was informed that various PSUs, Autonomous bodies and State Governments release their advertisements on the basis of DAVP rates or negotiate rates with newspaper establishments keeping the DAVP rates as bench mark.

(Paragraph 3.2.3)

The Committee took note of tremendous technological advancements in newspaper printing specially in case of very big newspapers taken place over a period of time. The Committee also noted investment made by some medium and small newspapers in going for latest high technology printing, page making and communication machinery.

(Paragraph 4)

Committee identified various technical parameters and cost factors on the basis of various issues raised by newspaper/periodical establishments. Specially relating to quality and cost of newsprint, processing charges, weightage for pulling power, weightage for small and medium papers, capital investment provision for technology up gradation and the new international look proposed to be adopted by the newspapers resulting in reduction in the size and column width of various newspapers, additional weightage to be provided for weeklies, fortnightlies and monthlies, colour advertisements etc.

(Paragraph 5)

After considering the views of newspaper establishments, their associations, and the replies received for questionnaires, the Committee recommends that broadly the parameters adopted for fixing the existing rate structure may be continued.

(Paragraph 6.2.1.)

Committee recommends a rate of Rs. 114.31 per column centimeter, with standard column width of 5 centimeters 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 inputs cost, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.

(Paragraph 6.2.7., 6.2.11., 6.2.12, & 6.2.13)

Committee recommends that 10% series discount allowed at present in addition to the commission of 15% paid to DAVP may continue for UPSC advertisements published in display columns of newspapers

(Paragraph 6.2.12)

Committee recommends 10 slabs rate structure for publications of Daily, Weekly, Fortnightly and Monthly on the basis of circulation of copies as against the existing 16 slabs for circulation up to 100000. The minimum slab has been raised from the existing 2000 to 5000 circulation.

(Paragraph 6.2.16)

Some of the newspapers have adopted international dimensions for publishing, resulting in reduction in overall size by about 15%. A number of other newspapers are also planning to adopt the new dimensions in the future. Therefore the Committee recommends that for rate purposes, standard advertising unit should continue to be square cm. instead of column cm. The recommended rate per square cm is 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.

(Paragraph 6.2.17 & 6.2.18)

Since ABC circulation check is twice a year i.e. from January to June and from July to December, in order to get latest circulation figures DAVP may like to shift the rate contract period to calendar year. Rate structure recommended should be made effective from 1<sup>st</sup> January 2006 to coincide with new rate contract period suggested. The recommended rate structure would be valid for a period of three years i.e up to 31<sup>th</sup> December 2008 when it should be reviewed.

(Paragraph 6.2.20)

The unbound weeklies, fortnightlies and monthlies have been given usually an additional weightage factor compared to dailies. The Committee recommends that the higher cost factor for weeklies, fortnightlies and for monthlies, over the rate recommended for dailies as existing, be continued.

(Paragraph 6.2.21)

Committee recommends a rate of Rs. 145.47 and Rs. 162.54 per column centimeter, with standard column width of 5 centimeters 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 various other elements

of inputs cost, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.

Committee recommends that the rates for colour advertisements will be higher by 40% as compared to the rates for black and white advertisements.

(Paragraph 6.4)

In case of substantial variations in the cost of newsprint the recommended rate may be revised according to given escalation formulae by DAVP.

(Paragraph 6.5)

Committee recommends ABC circulation certificate may be made compulsory for all such newspapers that claim circulation of more than 75000. For circulation of newspapers up to 25000 copies the committee recommends that practicing Cost Accountants like practicing Chartered Accountants may also be authorized to issue the circulation certificate.

(Paragraph 7.1.2.)

Committee recommends that the proposed rates be made applicable to each edition of a chain group of newspaper treating it as a separate entity on merits of its circulation.

(Paragraph 7.2.2)

Committee recommends that for the Sunday editions of daily newspapers having different masthead and different RNI number, the rates prevailing for weekdays of concerned dailies, with different masthead and different RNI number, cannot be extended.

(Paragraph 7.3.1.)

Committee recommends that all Public Sector Undertakings and Autonomous bodies may be directed to route their advertisements through DAVP since being bulk buyer of space DAVP gets a lower rate, which will result in substantial reduction in public expenditure on advertisement.

(Paragraph 7.4.2)

Committee recommends that the present exemption limit of 2000 may be increased to 5000 circulations for the purpose of circulation check by RNI.

(Paragraph 7.5.1)

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