

# CHAPTER - 1

## BACKGROUND

### **1.1. General**

**1.1.1** Newspaper in India has a chequered history. The first Indian Newspaper, a weekly, was published in English in Calcutta more than 225 years ago on January 29, 1780. The paper was named after its owner, who was also its editor, as Hickey's Bengal Gazette. It had a second name too, the Calcutta General Advertiser. Success, not necessarily financial success, encouraged competition. Another person, a trader, in partnership started the India Gazette in 1781. It is stated to have been well printed, with four pages of 16 inches long, divided into three columns. 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.

**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.

**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 are today demanding and receiving right advice to enable them to get their

message to their target audiences as in the print media, sections of the publication could be equivalent of specialist channels.

**1.1.4** The DAVP is the nodal multi-media advertising agency 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 etc., Audio Visual spots, Short films and Exhibitions. However, Newspaper Advertisements are the most important activity of DAVP. For this purpose DAVP empanels newspapers, which meet the parameters outlined in the Advertisement Policy of the Government. The revised Advertisement Policy has become applicable with effect from 1.5.2002. **(Annexure - XIII)** The important criteria kept in view while deciding empanelment are acceptability, affordability, accessibility and reach among masses.

**1.1.5.** The newspapers/journals are classified into three broad categories:

- Small, with a circulation of up to 25000 copies per publishing day
- Medium, between 25001 and 75000 copies per publishing day
- Big, with a circulation of above 75000 copies per publishing day

**1.1.6.** The 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. 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.

- 1.1.7.** The Public Accounts Committee (PAC) of Parliament, in their 173<sup>rd</sup> Report published in 1975, recommended that the Government should lay down uniform rates for advertisements given by DAVP to newspapers/periodicals.

## **1.2. Previous Committees**

- 1.2.1** To implement the above recommendation of PAC, the Ministry of Information & Broadcasting constituted in 1976 an Inter-Ministerial Advertisement Rate Structure Committee. The Committee submitted its report in 1977. The Committee recommended cost of newsprint and the markup at uniform levels for all newspapers, English or language. However, processing charges were recommended at the rate of 120% of the cost of newsprint for English dailies, 60% for language dailies and 80% for mixed dailies. 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 from time to time.

- 1.2.2.** In pursuance to the recommendation of the Committee of Secretaries in their meeting held on 19.2.91, 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 a new element in the rate structure called "Pulling Power Weightage" for circulation beyond 50,000. In the rate structure then existing, the weightage for small English newspapers with circulation up to 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/medium newspapers, and became operative from 1<sup>st</sup> April 1995. The rates were revised annually as per the escalation formula recommended by the Committee.

**1.2.3.** 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 65% of the total cost excluding pulling power.
- For colour advertisements, additional increase of 90% over the black & white rates was recommended.

**1.2.4.** Based on the above 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.

**1.2.5.** The last 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 are as under:

- Standard advertising unit should be square centimeter instead of column centimeter in view of international dimensions adopted by newspapers resulting in reduction in overall size.
- Rs. 19.95 as against existing rate of Rs. 18.78, per square centimeter for one lakh circulation, was recommended (increase of 6.23%)
- 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.
- Revised rate structure to be implemented from 1<sup>st</sup> October 2002 to coincide with new rate contract period of DAVP and would be valid for a period of three years.
- Rate for colour advertisements reduced from 90% to 50% of the rates applicable for black and white advertisements
- 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.
- Appropriate escalation formulae have also been 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 1-10-2002.

### **1.3. Changing Trends in Newspaper Industry**

**1.3.1** 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 there is no reason to doubt that the newspapers will 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.

## **CHAPTER - 2**

### **CURRENT SCENARIO**

#### **2.1. General**

**2.1.1.** DAVP rates were valid for a period of three years subject to annual revision as per the “Escalation Formula” recommended by the Committee. However, since there were no significant changes in the rates of standard newsprint, the advertisement rates as recommended by the Committee remained in force, till date, unaltered. The Indian Newspapers Society (INS) and other newspaper establishments however represented that existing DAVP rates are uneconomical in view of all round increase in inputs cost. They therefore demanded increase in existing DAVP rates

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

**2.2.1.** Government of India, Ministry of Information & Broadcasting, vide their Order No. 1/56/2004-MUC dated 22<sup>nd</sup> November, 2004 constituted the present Rate Structure Committee 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 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 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. A copy of the order-dated 22<sup>nd</sup> November 2004 is placed at **Annexure-I**.

The composition of the Committee was as follows:

(a)	Chief Adviser (Cost), Ministry of Finance	Chairman
(b)	Additional Secretary & Financial Adviser, Ministry of Information & Broadcasting	Member
(c)	Joint Secretary (P&A), Ministry of Information & Broadcasting	Member
(d)	Director, DAVP	Member
(e)	Joint Director (Advertising), DAVP	Convener

**2.2.2** The Committee was required to submit its report by 21<sup>st</sup> May 2005, which was extended to 21<sup>st</sup> August 2005.

## CHAPTER - 3

### METHODOLOGY

#### **3.1. Interaction with Newspapers and their Associations**

**3.1.1.** Soon after its constitution, the Committee met on 13<sup>th</sup> January 2005 and discussed in detail the terms of reference and various other aspects connected with the study. The Committee decided to approach different State Governments seeking information with respect to the advertisement rate structure being followed by them, hold discussions with Indian Newspapers Society, Indian Federation of Small and Medium Newspapers Association of Indian Magazines, The Association of Small Newspapers of India, Federation of Small Newspapers and Indian Newspaper society and Indian Language Newspapers Association etc. seeking their full cooperation and assistance for the proposed study; and to issue a questionnaire to a select list of newspaper/periodicals covering languages, regions, levels of circulation etc. Accordingly, a brief questionnaire was framed and issued to 241 units. A copy of the questionnaire circulated seeking relevant data from them is placed at **Annexure-II** and a list of units to whom the questionnaire was sent is given at **Annexure-III**. The replies received were examined and analysed. All the issues raised by them were discussed in the Committee meetings held from time to time.

**3.1.2** The poor responses to the questionnaire from the newspaper establishments and opaque nature of their accounting information are a matter of concern. In fact the questionnaire was finalised after informal consultation with the INS before it was sent to all newspaper establishments. Despite this, INS issued a circular to all its member publications not to respond to the questionnaire sent by the DAVP/Committee. The INS circular No DAVP/386 dated 14<sup>th</sup> January

2005 is enclosed as **Annexure IV**. The Committee during the course of its interaction with representatives of the INS, brought to the notice that the circular issued by them is not in the interest of its members. The Committee appealed for their cooperation, to provide adequate data/information so that the Committee could make recommendations based on meaningful and representative data. 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 members of the Committee in the meeting held on 24<sup>th</sup> February 2005 and explained to them that the required data/information are available from the Audited Annual Accounts of the units, which are public documents. The INS however did not agree to the request of the Committee. The INS collected data on its own from 82 units and forwarded the summary of its compilation to the Committee. The Committee could not fully rely on this compiled data, as it could not be verified from any supporting records/documents.

- 3.1.3.** The Indian Newspaper Society is one of the most important associations of newspapers. Besides representing a large number of newspapers it also accredits advertising agencies. The Committee's task was made difficult with such a stand taken by this apex body of the newspaper industry.
- 3.1.4.** In order to have spot assessment of the operations of various newspaper units, to interact with them and to impress upon them the need for furnishing the 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, the Committee interacted with the different newspaper establishments across the country.
- 3.1.5.** During the period from December 2004 to July 2005, the Committee visited offices of 43 newspaper units situated in the States of Delhi, Rajasthan, Karnataka, Kerala, Meghalaya and Assam. A list of these

units is placed at **Annexure-V**. Issues raised by these units have been discussed at appropriate places in the report.

**3.1.6** 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. Besides meeting with the individual newspaper units during the course of Committee's field visits, 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 and Indian Newspaper Society and discussed various important issues that have a bearing on determination of the rate structure for Government advertisement and all other related aspects. Their views on the subject are summarized below:

- ❖ The rates for DAVP advertisements arrived at on the basis of existing Rate Structure Formula are unrealistically low.
- ❖ Commercial card rates are realistic and should be adopted by DAVP as they take into account Circulation, Readership, Readership Profile, Cost Factors like cost of colour printing, importance given to News space, space devoted to advertisement, Quality of paper used, News quality and coverage and Reach of publications (no of editions)
- ❖ Card rates with appropriate discounts with reference to quantity of advertisements, multi edition publications, social theme advertisements etc would be appropriate.
- ❖ Cost based rate may be used where publication's advertisement revenue as a percentage of its total revenue is less than 25%.
- ❖ Alternatively, DAVP rates require a substantial upward revision for newspaper houses on the following basis:
- ❖ The total cost less circulation revenue should be divided by the advertisement space to arrive at the normative rate per square centimeter.

- ❖ The mix of imported and indigenous newsprint used must be taken at actual. An escalation formula for advertisement rates based on prices of newsprint.
- ❖ For publications with circulation above 100000, the rate worked out proportionately for every 1000 copies is anomalous. This category of publications often belongs to large newspaper establishments and has higher and widely varying cost structure.
- ❖ The post tax return at 14% on net worth should be considered as adopted for drug industry.
- ❖ An allowance should be included in the rate for free/unsold copies whose incidence is 4 to 6% for dailies and goes up to 20% for small periodicals.
- ❖ The ratio of print area to page area is around 90% for all categories of dailies and needs to be factored in the rates.
- ❖ It was the consensus that pulling power of the newspaper has to be recognized as a relevant factor for determining a just and fair rate structure for the DAVP advertisements. For taking a balanced view on this aspect of pulling power, the newspaper organisations argued in favour of considering the readership profile of each newspaper rather than merely its paid circulation.
- ❖ Payment of advertisement bills by DAVP should be within the stipulated time frame of 60 days. Otherwise a delinquent charge of 18% per annum should be made applicable
- ❖ Some of the newspapers are brought out from different location centers either in their own presses or presses of other newspapers. Such types of multi-edition newspapers face difficulties in submitting a number of bills edition-wise. Further, package rates are offered by chain group of newspapers. It would be practicable, if multi-edition newspapers were given combined rates based on their combined paid circulation, with appropriate discounts.

**3.1.7.** The Associations also requested substantial upward revision of the existing DAVP rates for the following reasons:

- High cost of newsprint – indigenous newsprint price is fluctuating between Rs.27000/- to Rs.31000/- per MT and imported newsprint from US \$ 450/- to \$ 650/- per MT;
- Payment of commission of 25-35% to the commission agents and vendors for distribution of newspapers at the door-step of the readers;
- Increase in the cost of imported plates and ink;

- Increase in the rates of petrol, diesel and natural gas resulting in higher cost of distribution; and
- To generate revenues to buy latest technology for expansion-cum-development programme, to buy modern cost effective electronic and communication equipments and to give value addition and better qualitative touches to the publications to meet the ever growing challenges.

**3.1.8.** From the Committee side, it was pointed out to the various newspaper units and members of different associations, 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, the client requirements. Reservation or quota or of 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 built-in advantage for the language newspapers as compared to others.

**3.1.9.** 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 feels that card rates could not form a reasonable, fair and rational basis for DAVP advertisement rate determination. 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.

- 3.1.10.** 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.

**3.1.11.** 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 payments of bills within the stipulated time.

### **3.2. Consultation with State Governments**

**3.2.1.** As required by the terms of reference given to the Committee, various State Governments were requested to provide the following information:

- Whether the commercial card rates of the Newspapers/periodicals are followed by the State Government for their advertisements and if not;
- The rate structure being followed by them and the details as to how these rates have been worked out;
- Whether English and language dailies are paid different rates. If yes, the details thereof;
- Total expenditure on the advertisements incurred by the State Government during the last three years; and
- Any other related information they consider useful for this purpose.

**3.2.2** The Committee received replies only from the States of Manipur, Himachal Pradesh, Assam, Tripura, Sikkim, Andhra Pradesh, Haryana, Uttar Pradesh, and Goa. Since adequate information was not received from all the State Governments, the Committee could not have authentic assessment on the approach followed by different State Governments in regard to determination of advertisement rates for newspapers/periodicals. However, it was noted that in general, State Governments are following DAVP rates although in some cases they have their own rates.

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

## **CHAPTER - 4**

### **TECHNOLOGY IN NEWSPAPER INDUSTRY**

#### **4.1. General**

4.1.1. Tremendous advancement in newspaper printing technology has taken place world over. Technology advancements are getting passed on to developing countries like India much faster than hitherto. In fact some of our newspaper printing processes are amongst the most modern in this part of the Globe.

#### **4.2. Phases in Printing Technology**

The overall modernization of printing technology in newspaper industry can be categorized in three distinct phases: -

##### **4.2.1. Phase 1: (Pre 1985)**

- Hot metal technology for News and Ad composing
- Manual page makeup using metal casted lines (called slugs)
- Only B&W pagination with Limited fonts.
- Last minute changes in News and Ads highly time consuming.
- Absence of any data network with other branches.
- Single width single circumference printing presses.
- Printing speeds of the presses between 25000-35000 Copies per hour.
- Highly Labour intensive processes resulting in union problems.
- Unhygienic environment.
- Printing press in the same premises as Editorial.

##### **4.2.2. Phase 2: (1985-1994)**

- Complete elimination of Hot metal Technology.

- Introduction of Proprietary Editorial Systems having News and Ad composing on computerized terminals.
- Introduction of Image setters & outputting on bromide paper.
- Manual page makeup using bromides by cut and paste method.
- Possibility of varieties of Fonts, designs and Layouts.
- Higher pagination with Last minute changes possible.
- Limited Colour introduced using scanners.
- Introduction of data circuits from 9.6 Kbps-64 Kbps for exchange of news/Ads with other branches.
- Introduction of colour printing presses but for limited pagination (2-4).
- Hygienic working environment.
- Major processes still in the hands of Unionized worker.

#### **4.2.3. Phase 3: (1994 – 2005)**

- Introduction of Windows based Client server systems and Local Area Network for Editorial systems.
- Introduction of High-speed data network using Multiples of 2 Mbps Leased data lines between all publishing centres. This made possible the remote printing of Paper.
- Provision of High-speed Internet access to Editorial for larger News/Picture gathering.
- Browser based online access to various picture agencies by the Editorial.
- Introduction of Electronic pagination. Page making by Editorial staff.
- High usage of Illustrations and Graphics possible.
- Introduction of Copy dot scanning of Ads.
- Digital colour processing for Ads and pictures using High End Flat bed Colour scanners.
- Introduction of Full-page Image setters and outputting on Films.
- Implementation of PDF workflow and Preflighting of Ads and Pages to minimize errors.
- Introduction of SAP for Electronic booking and handling of Ads and online integration of Ads into pages.
- Last minute Ad acceptance possible now.

- All colour pages.
- Web width Reduction.
- Web Editions of various publications – Launch of ePaper.
- Centralised Repository of Pictures and Text.
- Syndication services – content selling.
- Due to high speed data networks, Electronic delivery of pages possible and hence Presses moved away from Editorial site at remote locations resulting in commercial advantages.
- Introduction of Multiple numbers of Double width Double circumference Presses providing Printing speeds of the order of 1,10,000 copies per hour making High volume printing possible.
- Due to the above advantages, it is now possible to print multiple editions/supplements simultaneously with automatic insertion.
- Introduction of Mail Room systems for Automatic counting, labeling, bundling and strapping to make fast dispatches possible for the high volume of printed Newspaper. This also helps in accepting last minute order changes.
- The presses have gone from Shafted to Shaft-less presses.
- Because of above factors, now it has become Engineers/ Executives based rather than worker controlled function.
- In latest printing process page files in pdf format are received from central data base, work flow actions direct these files to computer –to-plate (CTP) equipment which images the printing plates directly using violet laser diodes.

### **4.3. Future Scenario**

- 4.3.1.** In the next few years, a major section of the newspaper industry may be going for CTP (Computer to Plate), which will fully eliminate film output. Each such machine is capable of producing more than 200 broad sheets pages an hour. An optical punching and bending machine ensures precise register on four colour plates. In these machines plates can be mounted focused across and one around each printing cylinder. Such press can be configured to print 24 broadsheet pages eight of them in colour. A number of features such as narrow gap plate and blanket cylinders, double diameter blanket cylinders, metal backed blankets and

shaft less drives make for high quality offset printing at high speeds. The two rotary folders deliver the printed and folded copies, which are conveyed to and processed in the mailroom. Two news grip, a single griper conveyer pick copies up from the folders and deliver them to counter stackers that produce bundles containing a predetermined number of copies. These bundles are labeled, plastic wrapped and strapped before being loaded on transport vehicles. All this means faster and world-class printing of the newspaper. Such new presses are capable of rolling out around 75,000 85,000 copies an hour resulting in newspaper ability to carry late news and the reader getting his superbly printed newspaper earlier. In this technology imaging system takes fully paginated digital file and exposes this information on to Printing Plate in Plate Setter without creating Film intermediate. The pages received from editorial site are fired directly on the CTP having Silver plates loaded in it. These silver plates are exposed in the CTP.

**4.3.2.** Technological advances world over have made newspapers less expensive to produce, specially 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 infrastructurally better places. Substantial investments have been made specially by very large newspapers in technological upgradation of their newsgathering, communication and installing state of the art printing facilities. With such modern imported/indigenous latest in printing and newspaper production technology, readers of newspapers are being treated to additional colour pages. All such investments have been kept in view; to the extent information was available, during deliberations of the Committee to determine the pricing structure of advertisement tariff.

**4.3.3.** 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. Reader is now getting a much better printed and more presentable newspaper. This is also helping the newspaper establishments to increase their circulation at 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. This is also enabling them to bring out a much more presentable newspaper and increase their circulation and reach in their traditional and targeted newer areas.

## **CHAPTER - 5**

### **ISSUES IN DETERMINATION OF RATE STRUCTURE**

#### **5.1. Technical Parameters**

**5.1.1.** 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.12000 per MT.

**5.1.2.** 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%.

**5.1.3.** Many major 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.

**5.1.4.** 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.

**5.1.5.** Keeping in view the above changes, 2001 Committee had recommended change in rate structure from column centimeter to square centimeter. The change has been accepted by the industry. Some of the leading newspapers now quote their commercial Card rates too in Square Centimeter.

**5.2. Rate Determination Factors**

- Commercial card rates, as claimed, should be adopted by DAVP or not
- Newsprint cost
- Manpower costs
- Processing costs
- Reasonable profit
- Technology upgradation 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 increases in costs during the pricing period
- Rates applicable for multi edition newspapers

**5.3. Pricing Period**

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

**5.4. Reach Factor**

- Paid circulation numbers. The paid circulation is taken as the basis with actual receipt being not less than 60% of the cover price in case of newspapers/ periodicals whose circulation is certified by Cost/ Chartered Accountant/ RNI in line with ABC.
- Readership reach and readership profile. Committee considered these factors but rejected them as basis for determining tariff structure since figures given out are based on a sample survey and results may vary based on sample size and other factors, which are subjective.

## **CHAPTER - 6**

### **RECOMMENDED RATE STRUCTURE**

#### **6.1. General**

Print media in our country 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 are increasing rapidly in our country. The Committee has kept in view these factors while framing its policy on the rate structure for dailies and periodicals empanelled with DAVP for disbursing information to masses.

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

**6.2.1.** Keeping in view the fact 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 and our examination and assessment, the Committee after deliberation on all issues involved, recommends that broadly, the parameters of the existing rate structure may be continued with updation of the costs. Card rates will not form the basis for uniform rates as the basis for fixing card rates is neither transparent nor its computation formula was made available to the Committee.

**6.2.2.** The Committee had received replies to the questionnaire from 24 newspaper establishments covering 57 publications. In addition, INS

made available cost data in respect of another 82 units. These data for the year 2003-04 were analysed. These units cover a mix of small, medium and large dailies and other periodicals, spread across different parts of the country. They also represent English as well as all major 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

**6.2.4.** If a daily newspaper has a circulation of 1 lakh copies and if an advertisement of one column cm with standard column width of 5 cm is printed in all the 1 lakh copies, the total area of the advertisement will be equal to 5 lakh sq. cm or 50 sq. meter. Though some of the newspaper units are using newsprint of varying weights, the majority of them use 45-48 grams per sq. meter and hence the Committee has considered weight of standard newsprint, as 45-48 grams per sq. meter. 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. However, as the column width has now been reduced by some of the newspaper units to less than 5 cm, then the newsprint consumption would proportionately reduce. Broadly, newsprint consumption per square centimeter would be 0.24 kg for a circulation of one-lakh copies.

**6.2.5.** 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.

**6.2.6** The demand for newsprint during 2004-05 was around 15 lakh tonne and is expected to grow up to 16-17 lakh tonne this fiscal. Out of this demand, only around 8.5 lakh tonne is likely to be met from local production and rest imported. Imported newsprint is subject to an import duty of 5%. The rates of domestically produced newsprint vary depending on the paper quality, mill and logistic cost. Imports are mostly from Canada and Russia. Global newsprint market is quite competitive. Quality of imported newsprint is generally better. Majority of the newspapers, except a selected few, use a mix of imported and indigenous newsprint - the ratio depending on a number of factors, including language, place of publication, etc.

**6.2.7.** Various newspaper organisations and their associations informed the Committee that the cost of indigenous as well as imported newsprint has increased since the last Rate Structure Committee. The cost of newsprint for the 24 units who furnished cost data in reply to the questionnaire was ranging from Rs. 16500/- to Rs. 31000/- per MT. However, it is noted by the Committee that the cost of standard newsprint is showing an increasing trend during the last few months. Keeping this in view, the Committee has adopted the cost of standard newsprint at Rs.26500/- per MT as against Rs. 24000 per MT adopted by the 2002 and 1998 Committees. Further, 90 percent of the available area is generally used either for news or for advertisements. Based on the above factors, the

cost of newsprint for 1 lakh circulation per column centimeter with column width of 5 cm and per square cm. have been worked out and adopted in computation of fair structure.

**6.2.8** The processing cost includes all items of expenditure incurred by a newspaper establishment other than newsprint. It includes 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. As said earlier, the Committee had analysed the expenditure incurred by 106 (24+82) newspaper establishments and on the basis of such analysis, the average processing cost of these units, excluding extreme units, worked out to about 85% as a percentage of the cost of newsprint. Since the data received and analysed pertain to the years 2003-04 and that the proposed rates would be applicable from 1<sup>st</sup> January 2006, suitable escalation has been built in the average processing cost to meet the higher expenditure on manpower cost, plates, films, ink, power, stores, repairs & maintenance, travelling and other related costs.

**6.2.9** The spread of information technology (in terms of hardware and soft wares) 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” has recognized the sweeping changes 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 in this regard. The Government should consider putting in place an institutional arrangement for concessional finance for newspapers. Keeping this in view, the Committee in its computations has taken into account an

additional provision for newspapers and periodicals to meet this technology upgradation cost in arriving at the total processing cost on an overall basis; we have taken into account above-mentioned factors.

- 6.2.10** The existing rate structure includes a reasonable profit on cost. An analysis of the cost structure, investment and related aspects in some newspaper establishments' shows that the rate of reasonable profit adopted by us for determining the rate structure is fair and reasonable.
- 6.2.11** The existing rate structure also includes a provision on cost, including newsprint cost and processing charges, 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.
- 6.2.12** Under the existing arrangement, a commission of 15% on the total rate 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.
- 6.2.13.** 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. 114.31 per column centimeter with standard column width of 5 cms for one lakh circulation. This is against the current rate of Rs. 99.76 per column centimeter with standard column width of 5 cms. The rate recommended is exclusive of all duties, taxes and cesses.

- 6.2.14.** It may be mentioned that the increase is mainly on account of higher newsprint cost, salary levels, technology related expenditure, increase in subscription rates of news/photo agencies, investment in new plant and machinery etc.
- 6.2.15.** 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 weightages have been provided for them.
- 6.2.16.** The Committee after deliberations recommends 10 slabs rate structure as indicated in **Annexure VI** 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.
- 6.2.17.** The Committee also deliberated at length the new developments in the newspaper industry specially 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 are also planning to adopt the new dimensions as they feel that in coming years internationally the newsprint will be available in only new dimensions/sizes. The present standard column width is 5 cm. These newspapers, which have switched over to new dimensions are having variable column width, which 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 be of square centimeter instead of column centimeter like the one recommended by the previous Committee.
- 6.2.18** The rate worked out and indicated in paragraph 6.2.13 is for column centimeter 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 details of

which are shown in **Annexure VI**. The rate for the standard advertising unit of one square cm. for one lakh circulation will be Rs. 22.86 with standard newsprint and Rs. 26.28 with glazed paper, the details of which are shown in **Annexure VII**.

**6.2.19.** 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 100000. For newspapers and periodicals with circulation beyond one lakh, the same may be applicable proportionately for every increase of 1000 copies.

**6.2.20.** The present rate based on the 2002 Rate Structure Committee recommendations, was made applicable from 1<sup>st</sup> October 2002. DAVP operates through rate contracts, which it enters with individual newspaper establishments on yearly basis. As per the recent policy announcements on DAVP advertisements, DAVP is also entering into three years rate contract with certain categories of newspapers. Present yearly rate contract with newspaper establishments was valid up to 30<sup>th</sup> September 2005 and the new rate contract will be effective from 1<sup>st</sup> October 2005. Since ABC circulation check is twice a year i.e. January - June and July - December, in order to get latest circulation figures DAVP may like to shift the rate contract period to calendar year. The Committee therefore recommends that the rate structure suggested should be made effective from 1<sup>st</sup> January 2006 to coincide with new rate contract period. The rate structure suggested is recommended for a period of three years i.e. up to 31<sup>st</sup> December 2008 when it may be reviewed.

**6.2.21.** The unbound weeklies, fortnightlies and monthlies have been given usually an additional weightage factor compared to dailies. The differential for weeklies, fortnightlies and for monthlies has been in vogue since 1977 and the same was suitably increased in their weightage. The

proposed rate structure at different levels of circulation for dailies and unbound weeklies/fortnightlies/monthlies is detailed in **Annexure-VI**.

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

### **6.3. Rate Structure for Bound Periodicals**

**6.3.1.** 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.

**6.3.2.** Periodicals like *Business Today*, *Meri Saheli*, *Sarita*, *Women's Era*, *Femina*, *India Today* etc. fall in different category. They use better paper. They are usually bound. The editorial costs of such periodicals are usually higher. Generally, they do not accept editorial contents from news agencies. Such periodicals incur extra expenditure in art works, designs and pictures. Very few periodicals use standard newsprint. Most of them use glazed paper and some use lightweight coated and art paper. The printing cost of the periodicals is higher. Most of the 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, for small publications, commission for display advertisements etc. as applicable for newspapers depending upon the circulation levels.

**6.3.3.** Committee recommends that the same parameters for determining the rate structure for bound publications may be retained. However, since the higher processing charges have been considered for working out the rates for Dailies, unbound Fortnightlies and Monthlies, the percentage of processing charges adopted for bound publications have also been taken at substantially higher levels. 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 the fair rate structure..

**6.4. Advertisements in colour**

**6.4.1** Many Central Government Ministries/Departments/Other organizations request DAVP for getting their advertisements printed in colour. Keeping this in view, the extra cost involved in bringing the advertisement in 4 colours as against black and white has been assessed. Colour advertisement involves additional cost of ink, plates, films and processing charges. Some of the major newspapers charge only 15 to 30% extra for multi colour advertisements on their card rates. As per the INS, more than 70% of big and medium dailies and 80% of the small dailies charge an extra amount of 50% or more for colour advertisements. The last Committee had recommended that the rate for colour advertisements would be higher by 50% compared to the rates for black & white advertisements. In view of additional surcharge now being actually levied by newspapers for multi colour advertisements being less than the present level and that the processing cost considered includes additional expenditure towards technological up gradations for colour advertisements, the Committee recommends that the rate for colour advertisements should be higher by 40% as compared to the rates for black and white advertisements.

## **6.5. Escalation**

- 6.5.1.** The rate structure is based on the delivered cost of newsprint of Rs.26500/- per tonne. 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). Based on such data, the escalation, if required, may be regulated in consultation with Cost Accounts Branch of Ministry of Finance.
- 6.5.2** 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 April 2005, (All India Consumer Price Index for April 2005 is 529, – base year 1980=100) escalation may be provided in consultation with Cost Accounts Branch, Ministry of Finance. The amount so determined will have to be included in the rate structure based on the level of circulation.
- 6.5.3.** 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 of Rs.26500/32500 per MT. 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 is with reference to the corresponding rates indicated in paragraph 6.2.18. The escalation formula applicable in such cases would be as per the sample calculation given in **Annexure IX**.

- 6.5.4** Similar sample escalation formulae applicable for bound publications are also provided in **Annexure X and XI**.
- 6.5.5.** The price recommended effective from 1.1.2006, if necessary, may be revised once in a year 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.
- 6.5.6.** For colour advertisements, the revised rates will be enhanced by 40% correspondingly.

## **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 centimeter method of fixing rate for the space utilized, suggested by 2002 committee in its report, has by and large been accepted by the newspaper organizations.

**7.1.2** As may be noted that the advertisement rates per column centimeter, 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. The certifying authority for circulation up to 25000 is the practicing Chartered Accountant. Beyond 25000 circulations the certifying authority is either the Registrar of Newspapers of India (RNI) or Audit Bureau of Circulation (ABC). DAVP has over 3000 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 Chartered Accountant also. This issue was deliberated upon and the Committee recommends as under:

- (i) ABC circulation certificate may be made compulsory for all such newspapers that claim circulation of more than 75000. As this is likely to substantially increase ABC workload, they may be advised to empanel practicing Cost Accountants besides empanelling more number of practicing Chartered Accountants to carry out a check. Appropriate modifications in DAVP Policy may be made.

- (ii) Practicing Cost Accountants, having valid certificate of practice from ICWAI (set up under an Act of Parliament Act 23 of 1959) should also be authorized to certify the newspapers' circulation figures. These certificates should be accepted up to circulation of 25000 as in case of Chartered Accountants and for this purpose appropriate provisions may be incorporated in the policy.
- (iii) The Committee recommends that certification of circulation by the practicing Chartered/Cost Accountant may be given in the format as given in **Annexure – XII**.
- (iv) The regularity norm fixed by DAVP as per Advertising Policy is 300 issues for dailies, 46 issues for weeklies, 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.

**7.1.3.** 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/Chartered Accountants must adopt the percentage of commission as is followed by ABC i.e. a maximum of 40% of the cover price.

**7.1.4** 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.

**7.1.5.** DAVP has changed the last date for receipt of applications for rate renewal from the last day of February to last day of May each year. Similarly, earlier rate contract period was w.e.f. 1<sup>st</sup> July of a year to 30<sup>th</sup> June of next year. Now, the contract year is w.e.f. 1<sup>st</sup> October of a year to 30<sup>th</sup> September of next year. Keeping in view the need to get the latest circulation figures as noted in paragraph 6.2.20, it is recommended that

the contract year may be shifted to calendar year that is from 1<sup>st</sup> January to 31<sup>st</sup> December. The last date for receipt of applications may be shifted from 31<sup>st</sup> May at present to 31<sup>st</sup> July. RNI will give circulation assessment on the basis of financial year. Cost/Chartered Accountants may also be asked to give certificate for financial 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 the 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 DAVP approved media list, which have Sunday editions with different RNI Registration Number and slight variation in title. With these variations, these Sunday editions are being treated as separate editions and rates are being offered to these publications separately. Some of these publications however have not entered into rate contract with DAVP. 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.** DAVP is the nodal agency of Government of India for reaching Government's policies, programmes and achievements to people through media of press advertisements, posters, folders, booklets, messages on hoardings, kiosks, wall paintings, etc. as well as through media of exhibitions and audio video spots, short films, etc. 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.** The Committee was informed that at present, many PSUs are releasing their advertisements directly to newspapers, which results in avoidable higher expenditure. Since DAVP rates are about 40% of the commercial rates, it would mean enormous saving of public funds if all PSUs and Autonomous bodies/authorities route their advertisement through DAVP. The matter was discussed in detail. Since DAVP is a bulk buyer of space, its rates are much lower than the card rates of various newspapers, the Committee recommends that all PSUs and autonomous bodies/authorities and other bodies mainly utilizing public funds may be directed to route all their advertisements mandatorily through DAVP. The committee was informed that Government has already requested all Ministries to advise PSU's, Statutory Bodies etc. under their respective control to release their advertisements through DAVP.

## **7.5. Circulation Check – Exemption Limit**

**7.5.1.** It was stated by DAVP that the possibility of a number of newspapers empanelled with DAVP claiming exaggerated circulation cannot be ruled out. Keeping in view the shortage of manpower in RNI to make spot checks of such newspapers, DAVP suggested exempting newspapers claiming circulation up to 5000 as against the present exemption available up to 2000 circulation. Keeping the practical difficulties faced by

DAVP, the Committee recommends that practicing Cost/Chartered Accountants can certify circulation of newspaper covered by this category based on the records maintained by such Newspaper Establishments.

## **CHAPTER - 8**

### **RECOMMENDATIONS**

- 8.1.** *The Committee after consideration of various representations from the newspaper establishments and their associations, indepth 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 no information as to how newspaper establishments determine the same, was forthcoming in spite of repeated requests. The factors other than the 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 were also not provided.*
- 8.1.2.** *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 costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit*
- 8.1.3.** *Committee recommends a rate of Rs. 131.38 per column centimeter, with standard column width of 5 centimeters for one lakh circulation of unbound publications, worked out on the basis of glaze 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.*
- 8.1.4** *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 other various elements of costs, weightage for small and medium newspapers, pulling power weightage and commission besides reasonable profit.*
- 8.1.5** *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*
- 8.1.6** *Committee recommends 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 has been raised from 2000 to 5000 circulation.*

- 8.1.7 Some of the newspapers have adopted international dimensions for publishing, resulting in reduction in overall size by about 15%. Number of other newspapers is also planning to adopt the new dimensions in the future. The Committee therefore recommends that for rate purposes, standard advertising unit should 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. Similarly for weekly/monthly/unbound/bound publications, rate per square centimeter of actual space used for advertisement be paid.*
- 8.1.8 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 may be reviewed.*
- 8.1.9 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.*
- 8.1.10 Committee recommends that the rates for colour advertisements will be higher by 40% as compared to the rates for black and white advertisements.*
- 8.1.11 In case of substantial variations in the cost of newsprint, the recommended rate effective from 1.1.2006 may 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.*
- 8.1.12 Committee recommends ABC circulation certificate may be made compulsory for all such newspapers that claim circulation of more than 75000. As this is likely to substantially increase ABC workload, they may be advised to empanel practicing Cost Accountants besides empanelling more number of practicing Chartered Accountants to carry out a check.*
- 8.1.13 For circulation of newspapers up to 25000 copies the committee recommends that Cost Accountants having valid certificate of practice may also be authorized in addition to practicing Chartered Accountant to issue the circulation certificate.*

- 8.1.13 *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.*
- 8.1.14. *Committee recommends that for the Sunday editions of daily newspapers having different RNI number, the rates prevailing for weekdays of concerned dailies cannot be extended.*
- 8.1.15. *Committee recommends that all Public Sector Undertakings and Autonomous bodies may be directed to route their advertisements through DAVP since its rates are substantially lower which will result in reduction in public expenditure on advertisement.*
- 8.1.16 *Committee recommends that the present exemption limit of 2000 may be increased to 5000 circulations for the purpose of circulation check by RNI. Certificate of Cost/Chartered Accountants may be accepted by DAVP.*

## **ACKNOWLEDGMENTS**

We wish to express our thanks to all the newspapers and publications, which responded with their replies and advice in connection with the work of the Committee. Indian Newspapers Society, Indian Federation of Small and Medium Newspapers Association of Indian Magazines, The Association of Small Newspapers of India, Federation of Small Newspapers and Indian Newspaper society and Indian Language Newspapers Association have been of great help to the Committee in its work. We also wish to place on record our high and deep appreciation of the enormous amount of efforts and strenuous work put in for successful completion of the tasks assigned to this Committee by Shri. R.K. Paul, Adviser, Shri C. Hubert Pothiraj and Shri. K.C. Kohli, Directors, Shri. N. Sridhar and Shri. M.M. Sachdeva Deputy Directors and Shri. G. Pradhan Assistant Director of Cost Accounts Branch of Ministry of Finance and Shri. Bhaskar Nayar Joint Director (Advertising)-Retd., Shri. Jitender Singh, Media Executive, Shri. S.K. Datta, Senior Artist and other officers of DAVP.

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Joint Director (Adv.) DAVP  
**CONVENER**

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