

thing he understands the best, which is the business in which he himself is engaged. I have endeavoured to give the matter every consideration. The government has discussed it on many occasions; representations from all quarters have been heard, and this represents what we regard as a fair adjustment under the situation now prevailing.

The CHAIRMAN: It is moved by Mr. Ilsley:

That item 1060, as contained in resolution No. 6 of May 1, 1936, be amended by adding to the words "when used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges" the following phrase:—

"the pages of which are regularly bound, wire stitched, or otherwise fastened together."

Amendment agreed to.

Mr. DEACHMAN: I venture to make the suggestion that the government in this matter has not been over generous. I am not worried particularly about the point brought up by the right hon. member for Argenteuil (Sir George Perley), who suggests that the paper companies are in danger from the extension of this small drawback. I have before me the record of the two largest companies in Canada making this class of paper, the Howard Smith Paper Company and Provincial Paper Mills Limited. Both these companies went through a process of expansion of their fixed charges by means of re-organization, in different years. On June 1, 1928, the Howard Smith Company went into its mill with total securities of \$10,664,300, and, without increasing its actual assets, emerged a few days later with a capital of \$14,400,621, an increase, which may be represented as not much more than pure water, of \$3,736,321. By that process they increased the fixed charges of the company in the sum of \$140,000 a year. The Provincial Paper Mills was not quite so strenuous, though it was bad enough in all conscience. It went into this process of expansion on May 1, 1927, with a capital of \$6,550,000, and without increasing its assets emerged with \$8,900,000, a total increase of \$2,350,000. The combined increase amounted to \$6,086,321 of capital, and the increased fixed charges by way of interest on bonds amounted to \$377,000 per year.

Mr. DUNNING: What company was that?

Mr. DEACHMAN: I am talking about the two companies. I venture to suggest that two corporations which can afford to add to their fixed charges \$377,000 in a single year without adding to their real assets will be able to withstand the measure of competition

to which they will be subjected by this change in the budget.

In 1928 the drawback was extended to eighty per cent. At that particular period Canadian companies publishing magazines were able to use better paper. They increased their use of paper. The increase in the use of this classification went up more during the next three years than in any similar period of Canadian history. Nor were these paper companies at all seriously affected so far as their profits were concerned. The profit upon the individual ton they sold may have been less, but the increased tonnage enabled them to pay a larger dividend in 1930 than they did in 1928 or 1929, which were prosperous years, and they seemed to get along very well. But with the change when the drawback was withdrawn their profits and dividends fell, and they were no longer prosperous. The reason they were no longer prosperous, I shall be told, was that those were hard times. Quite true they were hard times, but they were hard times for the publishers in this country because they had to pay to the Howard Smith Paper Company and to the Provincial Paper Mills a price which was fixed by the tariff. There was published a few days ago in the newspapers of this city an open letter from the MacLean Publishing Company in which they stated that their paper cost them \$312,600 a year. Then they said, "We were required to pay \$66,162 more for our paper than our United States competitors." If you figure that out you will find that it amounts to approximately 21 per cent. These two corporations by this legislation, by the duty which they then enjoyed, were enabled to charge users of paper between 21 and 22 per cent more than they could have charged had they been on a free trade basis.

I ask you to consider this question. It is not only magazines, ordinarily so called, that are published in Canada. We have our farm press. The farm press has gone through very difficult times during the last few years. Farm purchasing power was gone. It has been a struggle to make a living. Not long ago two of the largest farm papers in western Canada amalgamated because they could not successfully maintain a separate existence. That amalgamation of these two separate papers was brought about by hard conditions induced by the high costs of raw material required in the manufacture of their products. The result of this amalgamation has been a big loss to the paper mills of Canada, a loss which they might have avoided under conditions of greater freedom. The