

4. Split-run Editions

23. Magazines are a particularly good medium for advertisers wishing to reach a specific market defined by regional location. Both Canadian and foreign magazines currently have regional editions in their respective home markets. Publishers and advertisers recognize the importance of regional editions as an advertising vehicle. The marketing strategy behind regional editions is that they allow publishers to offer very specific advertising vehicles for advertisers interested in targeting a particular audience, hence they maximize advertising revenues.¹⁶

24. Some foreign publishers view Canada as a separate "region" within their own national market. The "Canadian" regional edition produced by such publishers generally contains the same editorial content as the other editions but different advertising content, reflecting the addition of advertisements from Canadian advertisers. The term "split-run" is used in Canada to refer to such a Canadian regional edition. For a foreign publisher, the incentive to produce a Canadian regional edition of its magazine containing advertising directed at Canadians is, of course, profit. A profit for the foreign publisher only requires that the incremental revenue from advertising in the regional edition exceeds the costs of producing the split-run. Since its fixed costs have already been recovered in the larger home market, this offers an inviting prospect for a foreign magazine.

D. Canadian Magazine Policy

25. Canadian public policy for the magazine industry is designed to provide Canadians with a distinctive vehicle for the expression of their own ideas and interests. Such a vehicle faces enormous competition from foreign magazines for both advertising and readership. Public policy measures aim to balance the need to establish and maintain a place for Canadian periodicals in their own domestic market while at the same time ensuring that Canadians have unrestricted access to foreign periodicals. To achieve this long-standing policy objective, government policy has focused on two areas: advertising and distribution.

26. The Government of Canada has introduced a series of measures to ensure that magazines with editorial content developed for the Canadian market can compete for the limited advertising revenues. These measures include Code 9958 of the *Customs Tariff*, sections 35-41 of the *Excise Tax Act* and section 19 of the *Income Tax Act*.

27. Public policy has also been developed in an effort to ensure that Canadians, regardless of where they live, have access on a reasonable basis to periodicals. Subsidized postal rates are provided to maximize the opportunity for distribution, particularly in light of Canada's relatively small and widely dispersed population. This measure is critical, since Canadian magazines have only limited access to newsstands and rely mainly on paid subscriptions for

16. L. Mogel, *The Magazine* (Englewood Cliffs, N.J.: Prentice-Hall, 1979) at 46-47 (Exhibit F).