

*Non-Canadian Publications*

1968, faced with the decline of the periodical industry in Canada, the government of the time established a special Senate committee—if the NDP members have no objection, the Senate is still useful sometimes. The main conclusion of this committee was a reiteration of the recommendations of the O'Leary Commission, namely the removal of the extravagant tax privileges which two foreign periodicals had and still have so that the periodical industry in Canada would have a fairer share of the revenue from advertising and of the overall advertising budget which amounted to more than \$35 million in 1973.

But what is the real nature and scope of this Section 19 of the Income Tax Act? It defines in substance what should be considered as a Canadian magazine and enables announcers in these magazines to deduct their advertising cost for tax purposes. The original idea was to give a push to the periodical industry in Canada by helping them motivate the announcers which happen to be their main source of income.

But the addition of subsections (2) and (4) dilutes Section 19 to the point that it lost its incentive value. The exceptions to the general principle provide that, for legal purposes and within the general context of Section 19, some foreign periodicals are considered as Canadian periodicals and that their announcers are entitled to the tax deduction. Bill C-58 precisely aims at restoring section 19 by giving it its full force of incentive to the Canadian industry, by deleting subsections (2) and (4). The aim is praiseworthy, and as it is hard to justify an exaggerated privilege of common law for the benefit of a few individuals, I think it is far more difficult to defend and justify the retention of such a privilege, especially when it is exercised to the disadvantage of the local industry.

The main idea which the lobbyists of *Reader's Digest* tried to convey to us was the following: this publication, being a good Canadian citizen as an employer, an investor or a cultural vehicle, it was unthinkable that it be penalized this way because it had become practically a Canadian. I must say this first argument—retentionist, if I may say so—does not hold any water and that lately *Reader's Digest* also gave up that argument, thus separating from *Time*—by a very simple syllogism. If indeed *Reader's Digest* is a foreign publication—American in this case—no argument will convince me that it is a valuable and distinctive Canadian entity and, therefore, there is no reason to perpetuate an anachronism which has already done too much damage to our own interests. Therefore, the privilege involved is nothing but a fiscal loophole that only turns to the advantage of the magazine and of the advertisers and which we must fill as soon as possible. If on the other hand, *Reader's Digest* is indeed a Canadian publication, it then falls under the general provisions of section 19, and needs no particular privilege to allow it to operate in accordance with the general law, to enjoy the same standing as the other Canadian magazines and to compete with them with the same weapons.

So, one way or another, rescinding the privilege is not only advantageous but necessary to the exercise of free enterprise which is so dear to my colleagues of the other side—and to me also, I do not want to try and conceal it.

[Mr. Lachance.]

● (2150)

I have on several occasions mentioned the magazine *Reader's Digest* and only this one. That is because, as far as I am concerned, it is the only entity which deserves our attention in this debate, as *Time* does not happen to be Canadian, is not in process of becoming Canadian and has no desire to be “Canadianized.” Therefore, in the case of *Time* which is the second most important magazine to be affected by Bill C-58, not only is the repeal of income tax privileges desirable, it stands to reason and is undisputable morally and economically.

As for *Reader's Digest*, the situation is basically different, we must admit. I would like to point out some of the features which—as some hon. members have very aptly explained before me—make *Reader's Digest* an entity, shall I say Canadian and almost Quebecoise.

*Reader's Digest* has 460 employees in Quebec and provides over 1000 more indirectly with jobs; 60 per cent of the yearly income is spent in Quebec, that is about \$18 million. Four out of the six administrators are from Quebec; each word printed in its two Canadian editions is read, edited or written by its copy-writers in Montreal; \$8 million are invested in Quebec, and I will not linger over all the rest.

In the light of this information, what prevents *Reader's Digest* from meeting the requirements of section 19 of the Income Tax Act?

To solve this problem, we have to go back to the sources, namely to section 19 and consider each appreciation criterium to see if *Reader's Digest* comply with them or not.

We hear about control of editorial policy. In this regard, and even if we could argue for a long time and if the court alone could make a definite decision, we should, in my opinion, give the benefit of the doubt to *Reader's Digest* which openly declares, through its management, that it carries its whole business in Canada, be in the choice of its policies, of the publishing or of the broadcasting mechanisms.

We are also told about beneficial ownership. *Reader's Digest* already clearly indicated that, provided it is given a certain time to reorganize its financial structure, it could eventually meet the 75 per cent requirement. We also hear about the Canadian content and the publication under license, and this is where things go wrong, because *Reader's Digest*, with the best will in the world, will never be able to meet this third requirement because of the very nature of its publications.

We should stop here for a while and reassess the status of that magazine.

Let us suppose for a few minutes it is a foreign magazine. Some journalists have accused us of intending to hinder the circulation of ideas by trying to expel magazines which presently benefit from the special privilege under section 19 (b). Are they not overreacting to a certain point? Our intention is not to turf out those magazines. They can abide by the law if they meet the specifications mentioned in section 19 and become Canadian magazines. Otherwise, like hundreds of other very popular foreign publications, which in fact get no special treatment from government, through a wide circulation they can nevertheless benefit from advertising revenues and be sold in Canada, so that no Canadian will be deprived of the right