

# So Well That "Time" Got Lucrative Tax Concessions

also after President Dwight Eisenhower, a close friend of Time editor-in-chief Henry Luce, had interceded on the magazine's behalf during a state visit to Ottawa. ("They like and respect each other, hit it off well," gloried Time of Dief and Ike. "Relations between Canada and the U.S. had rarely moved on a friendlier level." Peter Newman reports that one of Eisenhower's first questions to Diefenbaker was, "What are you doing to our Time magazine up here?")

The rescinding of the surtax followed a visit to Ottawa in late 1957 by Henry R. Luce and all his Time-Life brass to present Diefenbaker with the original of a heroic cover portrait.

in the hands of the Presbyterian Church - and controlled more than 46 per cent of the advertising market in Canada) and pressed for the banishment of all foreign publications, begging the Commission not to be fooled by "Canadian editions" of U.S. magazines.

O'Leary and his commissioners duly complied and issued in 1961 a strongly nationalistic report, denouncing "Canadian editions" as "the ultimate refinement in the re-use of second-hand editorial material to provide a vehicle for a new set of advertising messages."

Canadian magazines, it pointed out, had to spend a large part of their budgets on getting editorial copy, while the Canadian editions of Time and Reader's Digest got 90 per cent of their editorial copy free from the U.S. parent company.

This was unfair competition. And so the O'Leary Commission made its chief recommendation that Canadian advertisers not be allowed deductions from their income taxes for advertising in foreign magazines—effectively making it too expensive to be practical. Time and Reader's Digest would not be able to attract as much advertising under such a regulation and Canadian magazines would get a larger part of the advertising cake. What this would have done, in effect, was banish Time and Reader's Digest as Canadian magazines and badly handicap them as competitors to Canadian publishers.

Great applause from the Canadian publishers led by Maclean-Hunter, which was eyeing how much it would get of the \$9,000,000 in advertising Time and Reader's Digest had attracted that year.

Time was frantic during the Commission hearings. One of the Commissioners, Kenneth Johnstone, who once worked for Time in London, had denounced the magazine as "a subversive force coming into Canada. By allowing it to snare Canadian advertising, we are in fact ironically subsidizing a reactionary policy inimical to Canada's best interests." So Time delightedly reported on flimsy charges of anti-Semitism levelled at a newsletter put out by Johnstone's public relations firm.

But if there was a desire to destroy Time in Canada, nobody leaped to deliver the blow.

Diefenbaker vacillated, and finally did nothing. At first he said he would implement O'Leary's recommendation. But Time was fast on its feet.

Time's "Canadian Affairs Section" at this time was written and edited in New York at offices in Rockefeller Centre, by a staff of ten, (only one of whom, John Scott, was Canadian). It was highly adept at finding Canadians to quote in condemning Ottawa's refusal to join the OAS, its refusal to maintain a fixed rate of exchange for the Canadian dollar, its refusal to accept nuclear warheads, and its protectionism—the State Department's line to the dotted i. Many of the Canadians it quoted happened to be executives of U.S.-owned subsidiaries.

In a twinkling of an eye, when the O'Leary report appeared, Time packed off ninety-one filing cabinets full of papers and John Scott from New York and hastily threw up Time Canada's editorial bureau in Montreal. It also moved the printing of the Canadian edition from Chicago to Montreal, and renamed the "Canadian Affairs" section just "Canada". It sort of took out a corporate citizenship, a national insurance policy.

## TIME AND READER'S DIGEST LAST YEAR WON 51.5 PER CENT OF THE EXISTING MAGAZINE AD MARKET

On the very day in January 1962 that the presses began rolling on the "new Canadian edition" in Montreal, Diefenbaker backtracked half way. He announced that advertisers in Time and the Digest would be allowed to claim 50 per cent of their outlay as a non-taxable business expense, instead of nothing, as O'Leary had proposed.

"They have," declared Diefenbaker, "established themselves in this country in good faith." A year later the Tories proposed that Time and the Digest be exempted entirely from tax measures against foreign magazines.

But the Diefenbaker government was on its last legs and didn't manage to pass any legislation on any foreign publications. The issue landed in the lap of Lester Pearson.

Shades of Eisenhower, Time again demonstrated its knack for having friends in high places. Just nine hours after the O'Leary Report was tabled, a senior representative of the White House was on the telephone to Ottawa warning that implementation of the commission's findings would result in the immediate cancellation of a major United States aircraft-components contract then being geared up at Canadair Ltd., a subsidiary of General Dynamics in Montreal.

Newman, in his book *The Distemper of Our Times*, quotes a senior civil servant as writing to the Prime Minister: "There seems nothing, but nothing, that we could do which would upset Washington more. I had the impression that if we dared touch the Canadian operations of Time and Digest, the State Department would view it as far more serious than if, for instance, we sold armed tanks to Fidel Castro."

As ex-Time-man Clausen reported in the *Globe Magazine* in 1967: "The Kennedy Administration made it quite clear it wanted Time exempted from any legislation based on the O'Leary report. Washington put pressure on the Pearson Government by, in effect, making exemption a precondition for agreement to the pending U.S.-Canada treaty for partial free trade in automobiles and auto parts."

Kennedy personally spoke to Pearson in favor of Time.

## a man under organized pressure

Interviewed by  
Dick MacDonald and  
Harry Thomas

### REPRINT FROM "CONTENT" for Canadian journalists

DAVEY: Well, the specific concern Mr. Wells spoke of, as I understand it, was that newspapers were only interested in sales of advertising. My interest was certainly much broader than that. I was interested in the role the mass media plays in the lives of individual Canadians. I had become convinced that the media was playing an increasingly important role in everyone's life, not just politicians, but everybody's. I felt it was time particularly in Canada, that there be some kind of non-partisan, objective assessment of the role and function of the media. So I framed the terms of reference, which have been repeated many times, as the ownership control, impact, and influence of the mass media on the Canadian public.

CONTENT: In an interview with Canadian Press last March, in talking about the usefulness of the report, you said that already it has had some impact, that publishers have begun to be more aware of their role. I have no doubt that the various publishers when they were preparing their briefs went through their own papers. However, I have a funny feeling that it was a short-term examination. Strictly to illustrate what I am getting at, let me use Stuart Keate as an example: Six or eight months after he presented his brief, did the Vancouver Sun reflect much if anything of the highly laudatory comments he had made about the newspaper business?

DAVEY: Many of the publishers were forced to sit down and look at themselves in the mirror for the first time ever. I am not able to comment as to whether it was the first time Mr. Keate has faced himself in the mirror, but I can tell you an interesting story about the Sun. When we were drawing up a list of newspapers to appear before the committee, we decided it would be impossible to have every one of the one hundred or more daily newspapers come before the committee. We therefore decided that we had to have all the daily newspapers from Toronto and Montreal and then a representative sample of newspapers from across the country; representative in terms of geography, in terms of circulation size, in terms of ownership.

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DAVEY: Broadly speaking, there were really two kinds of letter. One was from individuals who had grievances against specific newspapers. In effect, the committee was almost regarded by these people as a press ombudsman and some of those letters were very strange indeed. Mind you, some were also quite serious, thoughtful and helpful. There were the usual number of anonymous letters; there were letters from people who obviously had axes to grind. On the other hand, much of the mail was from people who were thoughtfully concerned about the media, although there probably was a disproportionate amount from academics. The only organized letter-writing campaign was from Halifax. I am sure that some critics of the daily newspapers there, probably some people connected with The 4th Estate, were responsible. I don't know this but I suspect it.

CONTENT: Going back to the time when you came up with the idea of having this inquiry, would you have identified then with a statement of Eric Wells that "there is no intent in the Canadian newspaper industry as to why it is in the business except to sell more ads"?

DAVEY: No, I would not have.

CONTENT: You would not have?

DAVEY: Not when the inquiry started.

CONTENT: Would you now?

DAVEY: I think you had better see the report. It is a question worth reflecting upon.

CONTENT: In your earlier statement about the CDNPA, you said you didn't realize then that its major concern was really not standards but to sell advertising. It sounds like you have moved some distance towards...

DAVEY: I understand Mr. Wells went further. He attributed that to publishers generally. And as I say, we do talk about this in the report and perhaps I should say I can't answer as automatically as I would like to.

CONTENT: If you didn't have that concern at that time, what was your major motivation in launching the inquiry?

turning into continenta-  
it is interesting to probe

back even beyond the  
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of Canada's only  
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to power in 1957, he  
into one of the sweetest  
in Canadian history—  
only by that of Pierre-  
ally Star in 1968.

Diefenbaker in 1957 with  
of prose. As late as 1961,  
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Walter Harris had clamped  
Canada's advertising revenue,  
l cost to Time

rescue in 1958 and lifted the  
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