

*Excise Tax*

that form be tax-exempt? It is not tax exempt when you see it on television or when you hear it on the radio. Why should it be tax exempt because it is printed on a piece of paper? If the intent of a publication is to be a newspaper—and I think we can all agree on the general concept of news—then let us not exempt those things which do not fall into some very reasonable definition of what a newspaper is.

Another aspect of this matter is that if any one issue is more than 90 per cent advertising, then it is taxable. If more than half of all the issues in a quarter of a year are more than 80 per cent, then it is taxable and it does not fall into the exemption. But that means 49 per cent of the issues can be 80 per cent advertising and that 51 per cent can be 79 per cent advertising, which means an average of 85 per cent advertising over the quarter. And it is still exempt from tax. In a 15-page newspaper you are talking about very little news and an awful lot of advertising.

I think our definition is fair. The Quebec weeklies and the weeklies in the rest of the country have looked at the question. They have said that they are still concerned but it looks as if they will be able to live quite well within that definition.

As I mentioned earlier in the House, when this issue was raised before the Senate committee the Quebec weeklies brought in a sample of ten newspapers—and this was before we had the more generous exemption provision. This was when the rule was 75 per cent. If your paper contained more than 75 per cent advertising, then it was taxable; if it was less than 75 per cent it was not. The Senate committee went through the ten sample newspapers which were placed before it and not one of them would have been taxable under the 75 per cent rule. Now, with the more generous 80 per cent on 50 per cent of the issues, or 90 per cent on any one issue, it is virtually certain that the dailies will not be affected by this tax. That was the intent. The intent is to plug the loopholes but not to affect the legitimate operators. This is precisely what I think this measure will do.

With regard to the inserts, I tried to explain this once before. Advertising inserts have always been taxable. The tax is the manufacturers' excise tax which applies to printed material. What has happened over the last few years is that newspapers found out that, because of the newspaper tax exemption, if printed material were inserted into a newspaper and distributed by the newspaper company, it was tax exempt. But if it was distributed by a group of boy scouts or a small distribution company which hired young people to distribute the material in the neighbourhood, it is taxable.

There is a company in my riding which hires young people in the neighbourhood to distribute material. A flyer came around the other day from a distribution company asking whether young people were interested in distributing advertising material for such companies as Shoppers Drug Mart, the A & P, IGA or Home Hardware. It offered to pay something for this work. It is an opportunity for young people to make money. They do not have to be newspaper carriers; they can earn money by distributing flyers from time to time. It is not a regular job but one which supplies some income for

young people. The government was approached some time ago by a number of these small distribution companies which indicated to us that, because the newspapers were not taxable and the newspapers could take this printed material without the tax and distribute it, then they were at a significant competitive advantage over the small, independent distributors. We said that if the tax is on printed material then the nature of the distribution system should not have any impact, on the grounds of equity, as to whether or not the tax is paid. Newspapers should pay the same tax as the small distribution companies pay.

That was the basis of the discussion surrounding this issue and it seems to me to be fair and equitable. It is not a tax in any way, shape or form on newspapers. It is precisely what it has always been. If the newspapers choose to move into a new area of business then they should not expect that they can carry their tax-free status under their arm and say that because they are newspapers and are competing in this new area of business therefore they are tax-free, while anyone else carrying out this undertaking is taxable. I think that is a legitimate objection for the government to raise. There is no doubt that this is not an attack on the freedom of the press in any way. That is the biggest red herring I have ever seen drawn across the path of any piece of legislation.

A point was raised about gas co-ops. The gas co-ops in Alberta came to us and said, because of the nature of their distribution system they do not get paid by those who purchase gas from them until at least 40 or 45 days after the gas is purchased from the original supplier, at which point the tax is applied. What the gas co-ops would like to see is the payment of the tax being delayed for 90 days after receipt of the gas so that they would not have to carry inventory and finance it. That sounds reasonable on the surface. The problem is that every business in the country carries inventory in one form or another and every business person in this country has to finance that inventory.

In the case of the co-ops, if we were to say that because they are co-ops, or because they are nice people, they do not have to pay the tax for 90 days, then there is no reason or logic why any other businessman should not pay the tax until after 90 days. We have said that all our business people must pay this tax after 30 days, and why should it be different for gas co-ops in Alberta. That was the reasoning which took place in the minds of the government.

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We said, "No, I am sorry. We cannot do that, because if we do it for you, automobile dealers will say that we carry inventory and pay this tax before we get paid by the people who buy our cars." When gas distributors, such as Consumers' Gas, here in Ontario, or B.C. Hydro—or whichever company distributes gas in British Columbia—buy gas and store it for winter use, they pay the tax when they receive it. They are distributors; they are not the producer. They would be saying, "We hold this inventory of gas and we should be exempt from paying that tax until we sell it to the consumer."