

*The Address—Mr. Diefenbaker*

magazines that they are suffering from "inequitable competition" in a variety of forms. These forms are too numerous to discuss in any detail today.

**Mr. Hellyer:** Will the Prime Minister identify the document from which he is reading?

**Mr. Diefenbaker:** They include the various advantages of foreign publishers: their ability to conduct circulation campaigns in Canada as a by-product of their domestic campaigns, their control of Canadian newsstand agencies and their special postal arrangements. There has been an accelerating tendency for Canadian advertisers to place their business with foreign rather than Canadian magazines as a means of covering the Canadian market. Foreign publishers have succeeded in extending and intensifying this practice through the production of so-called Canadian editions, special editions, Canadian sections, split runs, and similar devices. While the commission does not accept all of the arguments of the Canadian publishers, it strongly upholds the general claim that present conditions of competition are unfair to Canadian magazines.

The commission concludes that a genuinely Canadian periodical press can exist only by assuring for Canadian publications, under equitable conditions, an adequate share of domestic advertising. They define a Canadian periodical as follows:

A Canadian periodical is one published in Canada, owned either by Canadian citizens or, if a corporation, by a company incorporated under the laws of Canada or of one of its provinces, and which is controlled and directed by Canadian citizens and is not a licensee of or otherwise substantially the same as a periodical owned or controlled outside Canada.

A Canadian periodical is (also) one edited in Canada by a staff normally resident in Canada, its typesetting (in whatever language) and its entire mechanical production must be in Canada and its publication must be from a place or places within Canada.

In applying this conclusion, the commission makes two main recommendations:

(1) That periodicals containing advertising that is primarily directed to the Canadian market be no longer permitted to enter Canada from abroad.

(2) That the deduction from income by a taxpayer of expenditures incurred for advertising directed to the Canadian market in a foreign periodical wherever printed be disallowed.

It is the intention of the government to implement the first of these recommendations; that is to say, the government proposes, in due course, to prevent the importation of periodicals containing advertising that is primarily directed to the Canadian market. This will not in any way interfere with the continued importation into Canada of the many magazines that are printed and published

abroad and that carry advertising that is primarily directed to their own home markets. It will, however, prevent publishers of magazines in other countries from preparing, as a by-product, and sending into Canada, adaptations of their magazines in which they carry advertising directed to the Canadian market.

As for the second major recommendation of the report, it is the intention of the government to implement it but with an important modification. If this recommendation were implemented without a change the result would be not merely to prevent the future establishment in Canada of foreign-owned, foreign-edited periodicals, but to put an extremely heavy, they claim, burden on those which have already been established here. The latter, in that they import most, if not all, of their reading matter as a by-product of their parent magazines abroad, have an unfair competitive advantage over their Canadian competitors; and this advantage must be offset. On the other hand, they have established themselves in this country in good faith, they employ Canadian labour, and they attempt to supply Canadian readers with a specially adapted product.

Accordingly, in applying the recommendation that advertising placed in non-Canadian magazines be no longer deductible as an ordinary business expense for tax purposes, the government will introduce an important, although partial, exception. As a general rule, the recommendation will be applied, and this tax change is expected to make it unprofitable to initiate the publication of any new by-product magazines in this country. However, there will be an amelioration in the case of non-Canadian magazines that are already, as of today, published and printed in Canada, and that are or will shortly be carrying on editing operations in this country. When Canadian advertisers place advertisements in these latter magazines, their advertising outlays will continue to be deductible expenditures to the extent of 50 per cent. In other words, half the burden proposed by the royal commission will be removed from those non-Canadian periodicals that have established their operations within this country.

Both these recommendations, that relating to imports of Canadian-directed advertising and that relating to advertising in non-Canadian magazines, are of a fiscal nature. I make this announcement now so that adequate time, in all fairness, will be given for all existing plans and contracts that are normal and reasonable to be completed.

Nevertheless, the announcement I am making at this time will give immediate encouragement to Canadian magazines. All advertisers interested in reaching the Canadian