

**Hon. Mr. Hayden:** I think what the honourable senator has said is correct. One of the conditions required to satisfy the definition of a non-Canadian publication is that it must be published outside of Canada by a person resident outside of Canada. As to my honourable friend's parallel of a branch of an American company operating in Canada, certainly the carrying on of that business by an American company in Canada would be the carrying on of a business by a person resident outside of Canada. But that is a broader application of the principle than might be involved in this bill, if you were free to conclude that the imposition of the tax under this section is based on a principle. I think the minister in his language has been very careful to avoid, or to attempt to avoid, for his purposes, any tying of the imposition of the tax to any principle from which you might reach a set of facts such as the honourable senator from Ottawa (Hon. Mr. Lambert) has just stated. The minister said: "Considering the problem, we have decided that in this field very exceptional measures can be justified". I must accept the minister's purpose. As a further aside, I might say that I have recently had it demonstrated to me—and I expect it has been demonstrated to other senators also—that when a rigid resolution is brought down and legislation implementing it is passed by the Commons we must conclude that it contains a pronouncement of Government policy to the extent that, while we may point out its difficulties, we are not expected to interfere lightly with it.

May I add further that if you were looking on the side of competition there was an added explanation given in the Commons. Apparently it was agreed by every person that if all that was happening was that the American editions of *Time* and *Reader's Digest*—these two periodicals being two of the special editions of the kind referred to—were being exported to Canada and distributed in Canada, Canadian magazines would be in a fair position to meet the competition and would not require any favours; but it was because of the fact that they were being published and distributed in Canada within the terms of this definition, gathering up advertising material that competitively was not available to Canadian magazines, and also taking away from Canadian magazines advertising material that was attractive to these other magazines because of their popularity.

**Hon. Mr. Kinley:** They have an unfair advantage, for they do not pay tax or contribute anything.

**Hon. Mr. Hayden:** I am not attempting to argue this thing or to express an opinion one way or another, but I am interested when my

friend says that they do not pay taxes. I take it that my friend means that the American companies distribute their wares in Canada. There must be something wrong if they do not, because an American doing business in Canada is subject to corporation tax in Canada on the volume of business he does here and the profit he makes, just as a Canadian is.

**Hon. Mr. Kinley:** But they are not doing business in Canada.

**Hon. Mr. Hayden:** This tax is imposed whether the publishing is done inside or outside of Canada, if it satisfies this definition, so I do not know how you can fail to do business here if you bring in your American material and plates, and then develop your additional plates for the Canadian advertising and produce a product which you distribute in Canada. Certainly that operation would be subject to tax.

**Hon. Mr. Macdonald:** They do not all do that.

**Hon. Mr. Hayden:** I am not saying they do, but in those cases at least I say they do.

**Hon. Mr. Power:** To qualify for this definition, must there be a certain proportion of editorial material that is of Canadian origin?

**Hon. Mr. Hayden:** There must be at least 25 per cent of editorial material of outside origin. In other words, they must lift out of their American publications at least 25 per cent of the editorial material that they put into the Canadian edition; and there must be advertising material in the Canadian edition that is not in the American as well; those two elements must be satisfied.

Another principle urged in support of this tax was the necessity to encourage Canadian magazines, and one cannot quarrel with the statement that we wish to encourage Canadian magazines of Canadian interest, reflecting Canadian thought and appeal. What would have to be weighed is whether that is enough to justify a tax of this kind. Fortunately, that decision has been made by the Government as a matter of policy, and it has decided that there are the various elements which justify the special and extreme measure which has been taken in this case. Those elements are the extent of the occupation of the Canadian field by the so-called special editions, their ability to gather in advertising material to the detriment of Canadian magazines which might be competitive in the field, and the assumption that the editorial material used in the special editions costs less to the publisher of the special edition than similar editorial material would cost to the Canadian magazine publisher in his preparation of it, the theory being that