

dar (a digest of things to do in Toronto, distributed free). Between them, *Time* and *Reader's Digest* account for more than half the advertising revenue that all major consumer magazines receive in Canada.

Because of the nature of media growth, the committee said, "it is reasonable to anticipate that *Time* and *Reader's Digest* will continue to grab off larger and larger proportions of available revenue."

The position of Canadian editions of the two magazines has long been controversial in Canada. Section 12A of the Income Tax Act, sponsored by Senator O'Leary in 1961, prevents Canadian businesses from deducting advertising expenses in all foreign magazines except *Time* and *Reader's Digest*.

Arguments were made to the Committee for and against removing these exemptions. Arguments were also made for recommending legislation that would prevent *Time* and *Reader's Digest* from publishing their magazines and accepting advertising in Canada. While the Committee's bent was markedly nationalistic, it said "singling out for

expulsion two corporations that have done business in Canada for nearly three decades, and done it with flair and fairness and excellence, struck us as somehow inconsistent with the Canadian character."

"We recommend exactly what O'Leary wanted nine years ago: that the exemptions now granted *Time* and *Reader's Digest* under Section 12A be repealed, and the sooner the better.

"Even if *Time* and *Reader's Digest* did find it possible to continue publishing their Canadian editions despite removal of the exemptions, they would at least be competing on a more equitable basis than before. The massive cost advantages they enjoy from spillover editorial contact would be at least partially offset."

If this did not improve the health of the Canadian magazine industry, the committee suggested that the two magazines could be required to sell 75 per cent of the stock of their Canadian subsidiaries to Canadian residents, after the example of the Canadian Radio and Television Commission, which requires 80 per cent Canadian control of broadcasting corporations.

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