

Hon. Mr. Connolly (Halifax North): But there is a distinction in the publishing business.

Hon. Mr. Hayden: Oh, yes.

Hon. Mr. Connolly (Halifax North): I suppose the definition cures that.

Hon. Mr. Hayden: The statute provides its own dictionary. To interpret the taxation section you have to give the words the meaning that are given in this section of the bill, not any outside meaning.

Hon. Mr. Power: Is "periodical" defined also?

Hon. Mr. Hayden: Yes. The dictionary is complete. A periodical means "printed material, unbound or paper bound, printed and published at regular intervals not less frequently than four times a year and bearing dates of issue".

Hon. Mr. Euler: A page of jokes in *Reader's Digest*, for instance, would be regarded as editorial material?

Hon. Mr. Hayden: Yes, that would be editorial material.

Hon. Mr. Bouffard: What is the purpose of the imposition of the tax? Is it to get revenue or to protect Canadian publications?

Hon. Mr. Hayden: I do not propose to express any opinions in relation to this tax. All I propose to say is that the announced purpose was to protect what would be called Canadian national magazines. The theory underlying the decision to impose this tax proceeded along the following line.

At the end of the war these special editions as defined in the act accounted for about two-thirds of the magazines of general interest read in Canada. They now amount to 80 per cent, because the Canadian publications are down to 20 per cent. The Canadian counterparts would come under the heading of Canadian national magazines, publications of general interest reflecting Canadian thought, culture and, I suppose, news. In most cases these publications were having a difficult time to make any money, and it was felt that the special editions of non-Canadian periodicals were able to attract to themselves more advertising, both from outside and from within Canada, and were therefore enjoying an advantage over the Canadian publications. The theory was that they were paying less for their editorial material than were the Canadian publications. Frankly, I understand the meaning of this group of words, but I find it a little puzzling to believe that writers for American publications are not alert to the value which they may put on their articles; and if they are selling their articles to an

American magazine which is a counterpart within the description of a special edition under the act, I cannot understand why they would not measure their selling price with an eye on the expanded circulation by reason of distribution in Canada as well as in the United States. However, that is just a passing remark of mine.

My main purpose is to inform honourable senators of the basis upon which it was decided to impose this tax. The Minister of Finance realized there might be many problems inherent in the imposition of this tax. I suppose one way of looking at a special edition would simply be that it is a branch office of an American company carrying on business in Canada. I am sure that if it were generally known that any principle was being established by the Government to enable Canadian companies in competition with branch offices of American companies operating in Canada to get relief by a special tax against the American branches operating in Canada, or in some other way, it might prove to be very embarrassing. But the minister faced that question, and in the course of a statement in the Commons he said:

We have been considering this problem for some time, and we have decided that, in this field, very exceptional measures can be justified—measures that certainly could not be justified in connection with any ordinary line of business or commerce.

It was recognized that you were walking a pretty narrow line and that there was quite a risk of creating a precedent that would broaden the line, and so the Government, as a matter of policy, has taken this step as a calculated risk and hopes to be able to hold it to these particular magazines. Whether the tax is justified or not is no part of my exposition to the house. It is an announced policy of the Government as contained in the budget resolutions.

Hon. Mr. Lambert: Would the honourable senator permit me to ask him a question at this point? With regard to this group of "non-Canadian" publications that are being taxed, I suppose that as far as any branch factory of American ownership is concerned—and there are many of them in this country—it would be correct to say that none of these branch factories in essence is Canadian. They are non-Canadian if you apply the standard that is being applied here to the branches of American publications that have established offices in Canada. In other words, an exception is being made of two or three publishing institutions which happen to be branches in Canada of American ownership. Am I correct in that assumption?