

or supplies, we incur no FST at the moment. We are zero all the way from the bottom to the end product.

That is the present situation. Under the proposed GST, all printed material would be subject to a 7 per cent sales tax and, in the view of the witnesses before the committee, if harmonization took place they would probably face a possible tax of up to 15 per cent. They have appealed to the committee and the Senate to listen to their representations and to propose an amendment that would delete the application of the tax to printed materials.

Honourable senators will understand that there is an exemption, for example, on textbooks, if those textbooks are bought by an institution. Textbooks purchased by an institution will be subject to the tax, but they will be eligible for a rebate; and witnesses stated that the rebate would not cover the full extent of the tax itself but might amount to only about 4 per cent, and that the recipient of the rebate would be the institution, not necessarily the purchaser of the textbook. Whatever may apply, and whatever the inequities of this particular tax on institutions, the tax will fully apply to textbooks purchased by students. I believe it was the manager or executive director of the book store at the University of Toronto who made the comment about the tax that would be placed on a student entering any book store at a university to purchase textbooks. They would be fully taxed.

It was interesting that, in the discussion which was participated in by a number of senators who are present here, that reference was made to the dollar limit that is usually suggested at universities and high schools on the amount that students ought to spend on textbooks. Senator Marsden pointed out that at the University of Toronto the dollar limit on textbooks is \$700. The question was asked, "What will be the impact on this dollar limit?" The answer was that the dollar limit of \$700 will not be changed but, because of the application of the tax, fewer books will be available to the student who is working under this dollar limit. It seems that it is unnecessary for any of us to argue at length about the undesirability of applying a tax to the purchase of textbooks, particularly for students in all the institutions of learning throughout the country. I think we can all agree that that is not a good thing.

● (1410)

In his comments, Senator David stated, "As Senator Marsden said, books for students should have a special status." But they do not have a special status under this particular bill now before us.

In that context, Senator David went on to raise a very interesting question with respect to Canadian magazines to the effect that these are commercial magazines that sell advertising and have commercial revenue. He asked why they should be tax free, as he inferred students ought to be. I thought the answer was very interesting from the point of view of those in the industry. The answer was to the effect that the number of successful commercial magazines in Canada was indeed very limited, that the average profit margin, if I remember correctly, was about 2 per cent or 3 per cent, and that any additional

burden on the magazine industry would be a burden that might be very serious indeed.

I think I should read the comment made by Mr. Jeffrey Shearer, President of Telemedia Publishing and President of the Canadian Magazine Publishers' Association, who said:

We wish that magazines were more a commercial business than they are—commercial in the sense that they produce strong and healthy profits for magazines across the country. The reality is that they do not. The average magazine produces a 2 per cent or 3 per cent profit margin. Many operate at a loss or break-even point.

... we compete directly with American titles both on the newsstands and by subscription. We are all at what we consider to be the highest price at which we can maintain our circulation. What we believe and what all our modelling has done on the impact of the GST demonstrates that we will lose circulation, that our ability to amortize our magazine over a smaller circulation base will erode, that advertising dollars will be less because circulation is less and that, over all, the business will weaken. At 2 per cent or 3 per cent you do not have to have many revenue-weakening dollars to end up with a net loss. So the ultimate fact is that the GST imposes an enormous negative impact on magazines—enormous in the sense as it affects subscriptions, newsstand prices, and even as it affects advertising.

I did not read any evidence that would contradict the assertion by the representative of the Canadian Magazine Publishers' Association; but what ought to be borne in mind is that in addition to the magazines which we normally identify as magazines—for instance, *Maclean's* or *Time*—there are other periodicals and magazines that are more of a literary, educational or historical nature. It was Mr. Mozersky who said:

For every one successful *Maclean's*, *Time* or *Chatelaine*, there are literally hundreds of periodicals, journals, scholarly and literary publications that one does not see on the newsstands that are no different from essential scholarly works or the kinds of books that institutions are buying for their students. We make no distinction. The printed word is the printed word. True, some magazines are successful in the commercial sense, but the vast majority of them are not and have no commercial impetus behind them. They are educational. They are fulfilling a mandate, whether it be social, political or literary. They are magazines, journals and periodicals that fulfil a very important function in our society.

I doubt whether those who framed this tax, which is of such general application, were able to discern clearly at the beginning the many effects that the tax would have. One effect that was surely not intended was that which would place a burden upon the magazine publishing industry, which is not a robust industry to such an extent that its work will be seriously hampered.

I do not know what honourable senators think about newspapers, but the witnesses refused to draw any distinction