

## Tax changes and U.S. television border stations

Tax policies to preserve and strengthen the financial and artistic value of Canada's broadcasting industry are an internal fiscal matter, Communications Minister Jeanne Sauvé said recently. The minister was responding to questions about the filing in Washington of a petition by several U.S. border TV stations, seeking retaliatory trade measures against Canada for its 1976 Income Tax Act amendment affecting Canadian advertisers on American stations.

"Let's remember that when the Can-

adian tax amendment was enacted, Canadian advertisers were spending about \$20 million a year to buy time on U.S. border TV stations for commercials aimed at Canadians," said Mme Sauvé. "This diversion of funds was restraining development of the Canadian broadcasting system.

"The complaint ignores the fact that U.S. border stations are not licensed to serve Canadian communities. Twenty million dollars represented about 10 per cent of total Canadian TV advertising revenues but only roughly half a per cent of U.S. stations' total ad. revenues in 1974," the minister said.

"This money is important to us. It amounted to more than the net after-tax profits of the entire Canadian television system.

"But it's more than just a question of money. The revenues being diverted to U.S. stations were vitally important, particularly to new and developing Canadian stations trying to make a meaningful contribution to the binding together of a vast nation with two official languages." The minister pointed out that Canadian broadcasters did not enjoy the same economies of scale from which U.S. broadcasters benefited. They, she said, did not have any obligation to fulfil the objectives of Canada's Broadcasting Act.

The amendment to the Income Tax Act, proclaimed law September 22, 1976, disallows, as a deduction against income tax, costs incurred for advertising placed on a foreign station but directed primarily to Canadian audiences.

The minister reminded questioners that the measure was necessary to encourage Canadian advertisers to use Canadian broadcasting stations to reach Canadian audiences, and provided figures showing that major U.S. border stations which had been enjoying a large portion of the \$20 million diverted from the Canadian broadcasting industry had suffered no serious financial loss after the amendment had gone into effect.

Canada contributed \$132.5 million in bilateral international food aid and \$97.5 million in multilateral aid in 1977 through such agencies as the World Food Program and United Nations World Relief Agency.

## Bravery awards

Government House announced recently that one Cross of Valour, eight Stars of Courage and ten Medals of Bravery had been awarded for acts of heroism.

The Cross of Valour, the highest bravery decoration, has been awarded posthumously to Thomas Hynes, 19, of Fortune Bay, Newfoundland, who drowned on December 29, 1977, after saving the life of his eight-year-old cousin, Keith Hynes, who had fallen through some ice on a pond.

Among recipients of the Star of Courage are:

- Michel Laplante, 17, of Granby, Quebec, who drowned on October 8, 1977, when he tried to save Jean-Louis Pivin, whose canoe overturned during an excursion at Sainte Prudentienne, Quebec;
- William Alexander Dixon, of Orillia, Ontario, who saved pilot Beverley Cleland whose single-engine plane crashed and exploded a few hundred yards from Dixon's home on November 23, 1977;
- Kenneth Murray Kantymir, of Lumby, British Columbia, who saved the lives of six-year-old David Rantanen and his sister Rebecca by crawling through their burning trailer on July 11, 1977;
- Constable Gernot Kurt Fischer of the Royal Canadian Mounted Police, from Kars, Ontario, who saved a woman from drowning in the Rideau River on December 8, 1977. The woman jumped from a bridge, then screamed for help as she was being swept downstream;
- Constable Robert Stanley Krewenchuk and Edmund Craig, both of Edmonton, Alberta, who saved several tenants from a fire in a two-storey house, on January 25, 1977;
- Antonius Wilhelmus van Eindhoven and Johny Nakoolak, of Coral Harbour, Northwest Territories, who, with the help of three men, rescued an electronic technician who was lost in a blizzard three miles from Coral Harbour Airport on the night of December 27, 1976.

Daniel Jack Bily of Regina, Saskatchewan, Robert Harron, of Coral Harbour, Northwest Territories and John Groeb, are being awarded the Medals of Bravery for their role in the rescue operation.

There are three bravery decorations: the Cross of Valour, the Star of Courage and the Medal of Bravery. Since the decorations were first created in 1972, 339 people have received them.

### No financial loss

Recent annual reports of Capital Cities Communications and Taft Broadcasting (owners of WKBW-TV and WGR-TV) report no serious financial loss resulting from the broadcasting provisions of the Income Tax Act:

(a) "Approximately 1 per cent of the company's 1976 revenues came from Canadian advertisers, some of which was for advertising intended to reach U.S. audiences and would be expected to continue. We do not expect the development to have a material effect on the company's 1977 earnings..." (Capital Cities Communications, 1976 Annual Report, New York, Page 6);

(b) "...our revenues from Canadian advertisers have accounted for approximately \$2 million of broadcasting net revenues. This revenue source is currently showing declines of 50 per cent. However, increased local TV revenues from the Buffalo market should offset much of the Canadian revenue shortfall and we do not see this as a long term impediment to the progress of our broadcast group" (Taft Broadcasting Company, Annual Report, March 31, 1977, Cincinnati, Page 7);

(c) *Marketing Magazine* on May 9, 1977 quoted WIVB's General Manager, George Lilly, as saying "We have filled our inventory up with clients in New York State and we're not having any difficulty in selling."

(According to the broadcasters' petition, American border stations earned more than \$9 million from Canadian advertisers in 1977.)