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TO HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL,

May It Please Your Excellency,

WE, THE COMMISSIONERS, APPOINTED AS A ROYAL COMMISSION IN ACCORDANCE WITH THE TERMS OF ORDER IN COUNCIL P.C. 1960-1270 DATED 16TH SEPTEMBER, 1960, TO ENQUIRE INTO AND MAKE RECOMMENDATIONS CONCERNING THE POSITION OF AND PROSPECTS FOR CANADIAN MAGAZINES AND PERIODICALS:

beg to submit to Your Excellency

the following report:
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ACKNOWLEDGMENTS

The Commission's first acknowledgment of debt must go to the large number of Canadians who showed a helpful interest in the inquiry in so many ways. In addition to the 188 briefs from individuals and organizations in all provinces of Canada, we received over 200 letters and memoranda from as far away as Mexico, Switzerland, England and Australia.

For our hearings in six of the ten provinces, we were graciously provided with comfortable quarters by provincial, municipal, university and other authorities.

The advice contained in briefs and letters to the Commission does not make up the full total of the assistance we received within Canada. During over 7,000 miles of travel across the country, we had hundreds of informal talks with men and women who had special information to give or a special point of view to express. To these we make grateful acknowledgment.

We are under obligation to many officers of the Public Service of Canada for technical and professional advice upon numerous matters and for the preparation of informative reports and studies on a number of relevant topics. Especially, we wish to record our appreciation to Mr. A. F. W. Plumptre and Mr. C. M. Isbister, both Assistant Deputy Ministers of the Department of Finance; to Mr. J. Gear McEntyre, Mr. R. C. Labarge and Mr. L. Green of the Department of National Revenue; to Mr. G. A. Boyle, Mr. W. M. MacLean and Mr. D. Gill of the Post Office Department; to Mr. A. A. Cattanach and Mr. H. Arbique of the Department of the Secretary of State; to Mr. James A. Roberts, Deputy Minister of Trade and Commerce; to Mr. W. E. Duffett and Mr. G. A. Browne of the Dominion Bureau of Statistics and the International Trade Relations Branch of the Department of Trade and Commerce; to Mr. N. A. Robertson and Mr. K. B. Williamson of the
Department of External Affairs; to Dr. C. A. Morrell, Food and Drug Directorate, Department of National Health and Welfare; to Mr. E. A. Driedger, Mr. T. D. MacDonald, Mr. S. Samuels and Mr. D. H. W. Henry of the Department of Justice; to Mr. W. D. Mills and Mr. W. C. Pearson, of the Board of Broadcast Governors; to Mr. G. Roberge of the National Film Board; and to Mr. D. H. Fullerton of the Canada Council.

In the day to day operation of the Commission, we frequently had resort to the guidance of Mr. H. R. Balls, Comptroller of the Treasury, and Mr. N. E. Beach, one of its officers.

In starting the Commission and in its operation, Mr. Ross Martin, Assistant Secretary to the Cabinet, and Major Norman Lafrance, the Assistant Secretary of the Royal Commission on Transportation, gave invaluable advice.

In the recent weeks of preparing our report we have been under special obligation to Mr. Pierre Daviault and Mr. J. M. Magnant, of the Bureau of Translation; and to the Queen’s Printer and his most co-operative staff at the Department of Public Printing and Stationery.

The members of the Commission feel themselves to be under a great and definite obligation to our own immediate staff. They were a small group of able, cheerful and hard-working men and women.

The report of the Financial Consultants, Mr. James M. Dunwoody and Mr. C. Bruce Magee, reveals the thoroughness with which they approached their duties. We now only underline our acknowledgement to them and also to their respective associates and staffs.

We were particularly fortunate to obtain the services of Mr. Sidney Roxan and Mr. Leonard Evans from the Dominion Bureau of Statistics and Dr. Peter Cornell from the Bank of Canada, as our Research Director, Statistician and Economist, respectively. Their work extended far beyond normal hours and well beyond their particular duties. So also were the contributions of Mr. H. G. Howith, our Research Assistant, and Mr. Gordon H. Quinn, our Administrative Officer. They carried out their duties with the utmost satisfaction. Indeed, the same can be said of all those who in many and in different ways served us so well.

We wish especially to place on record a warm tribute to the devoted services of our Secretary, Mr. Michael Pitfield. His ability, energy, enthusiasm and high competence have been of the utmost help to us in our task.
I

THE

SITUATION
Only a truly Canadian printing press, one with the “feel” of Canada and directly responsible to Canada, can give us the critical analysis, the informed discourse and dialogue which are indispensable in a sovereign society.

The view of the Commission is that in an area as vital and sensitive as that of the press, whatever is done should be positive rather than negative, with the goal the promotion of the Canadian periodical, not the suppression of the foreign.
SCOPE OF THE INQUIRY

This Commission was appointed to investigate every aspect of the Canadian periodical publishing industry with a view to insuring its place in Canada’s way of life. The Commission, in discharging this task, deemed it necessary to examine the role of communications in Canada, believing that only after study of the whole could useful judgment be formed upon the efficacy of one of its parts.

During the course of its inquiry, the Commission was urged to found its inquiry on purely economic grounds. This has not been possible because, while many of the problems faced by Canadian periodicals are economic, the nature of modern communication is such that its effects carry enormous social and political, as well as economic, implications. Like the two sides of a coin, the ‘cultural’ and economic are virtually inseparable, and neither can provide a complete perspective in itself. The Commission therefore, has taken account of both points of view.

THE ROLE OF COMMUNICATIONS

Communications have never been so effective, nor the professional communicators so skilled as they are today. Through magazines, newspapers, radio and television, in both editorial and advertising matter, countless millions are reached with unprecedented speed and impact. News of Napoleon’s retreat from Moscow was brought to this continent by a sailing ship two months after the event. Today Napoleon would be issuing nightly communiques on his march, and Marshal Ney would be telling on television how he was the rear guard of the Grand Army.
This speed has its perils as well as its virtues. For often our communications are more swift than sure. They have an Alice-in-Wonderland quality about them because the professionals appear to think more about how they are communicating than why they are doing it. Facts are dramatized into distortions and false dimensions given to reality, this when the need for more truthful communication has never been so vital.

But it is in the sphere of criticism, of informed debate and discussion, in the search for truth, that the character of communication becomes important. Socrates saying that the unexamined life is unfit to be lived is as applicable to a nation as to an individual. A society or community, deprived of searching criticism of its own, among its own and by its own, has within it seeds of decay.

The role of communications goes even wider. Indeed, where Macaulay once described parliamentary government as government by talking, he could today describe democratic government as government by communication.

Every nation must provide within itself the means of maintaining stability. In North America today this function is largely directed and exercised through the communications media. No technique of social control could be more reflective of our ideals of freedom and competition. Here is no coercion. The teacher explains, the politician proposes, the salesman displays and society—when it is satisfied—acts. It is a process of suggestion and of persuasion, the very essence of democracy. Without it, without the printed word, without media of information, of disputation, of criticism, there could be no progressive social action, no meaningful political purpose in a free society.

In this role, communications are the thread which binds together the fibers of a nation. They can protect a nation’s values and encourage their practice. They can make democratic government possible and better government probable. They can soften sectional asperities and bring honorable compromises. They can inform and educate in the arts, the sciences and commerce. They can help market a nation’s products and promote its material wealth. In these functions it may be claimed—claimed without much challenge—that the communications of a nation are as vital to its life as its defences, and should receive at least as great a measure of national protection.

In contrast, as many peoples of the world have discovered in
our time, the creative powers of communication can be perverted to evil. They can twist and distort values. They can create false patterns of behaviour. They can weaken loyalties. They can disunite a nation and inhibit its commerce. To bring the dangers home, the information and discussion channels upon which Canadians must depend for their freedom and development, for what has been called “The Canadian Experience”, can be used to weaken or destroy us if any single irresponsible group within our nation, or any force outside it, be permitted to seize or control them.

The theory on which communications media have been granted immunity from the State—this apart from our allegiance to freedom—is that with a sufficiency of voices the shortcomings or excesses of some are corrected or counterbalanced by the virtues of others. Fundamental principles of our society apply, namely: reliance on competition, on fighting faiths taking their chances in the market place of ideas. But what we are compelled to ask ourselves now—what this Commission has had to consider—is the stark question of what may happen to our Canadian society, to our future social action if this competition of voices should disappear?

It is a notorious fact that for more than two decades the mortality rate for Canadian magazines has been far greater than the birth rate. The variety of circumstances has made new publication ventures all but prohibitive, an area into which only fools or millionaire angels would rush in. The most glowing picture of the Canadian periodical industry indicates a degree of centralization which will inevitably result in the domestic periodical medium falling more and more into the hands of a very few publishers. Worse still than the elimination of competition among Canadian voices, is the possibility of there being no Canadian voices at all.

FACTORS OF SIZE AND GEOGRAPHY

That this danger exists there can be no doubt. Canada is a youthful, polyglot country situated beside a powerful neighbour with which it shares a common language, a common economy and—to a considerable degree—a common origin and history.

The tremendous expansion of communications in the United States has given that nation the world’s most penetrating and effective apparatus for the transmission of ideas. Canada, more than any other country, is naked to that force, exposed unceasingly to a vast network of communications which reaches to every corner
of our land; American words, images and print—the good, the bad, the indifferent—batter unrelentingly at our eyes and ears.

Nor can it be claimed that Canada's daily and weekly newspapers, excellent though most of them be, provide an effective counterbalance. Canada has no national newspapers such as the London Times and the Guardian of Manchester, and no powerful weekly journals such as the London Observer and the Sunday Times. Our Canadian newspapers are almost necessarily local or provincial in character, and have little impact upon the nation as a whole.

Therefore, so far as the printed word is concerned, it is largely left to our periodical press, to our magazines big and little, to make a conscious appeal to the nation, to try to interpret Canada to all Canadians, to bring a sense of oneness to our scattered communities. It is but necessary to note the veritable deluge of United States' publications submerging Canadian print on our newsstands to understand the magnitude and, in the past, the impossibility, of their task. So pervasive, indeed, is this penetration, so obviously fraught with social and economic consequences, no examination of any aspect of Canadian communications can fail to take it into account. Here, inescapably, is the stuff of national concern.

DANGERS OF DISTORTION

But in its examination of all these factors, this Commission has tried to avoid a danger: the danger of distorting what clearly is a consequence of geography, history and population, unplanned and unconscious, into a matter of deliberate design.

From the outset of our inquiries we condemned this mood, discouraged submissions made to us in undertones of anti-Americanism, or of Canadian ultra-nationalism.

The Commission has rejected, too, the too-widely voiced opinion that the culture of the American people is in some way an alien culture, a monolithic, inferior way of life from which Canadians need shelter. The Commission has preferred to believe that the people of Canada, like the people of the United States, are basically North Americans, inheritors of the thought and traditions of Europe, but also the children of geography, products of the environments, the emotions, the driving forces, the faith, the dreams and the forms of expression of the North American continent. Ours has not been what Professor Brebner once called scornfully "a
search for a Canadian accent”. Our sole purpose has been to find a way to guarantee for Canadians their own communications media.

THE NEED FOR SELF-SUFFICIENCY

That guarantee, we are convinced, is vital. For while Canada and the United States may have the same basic cultures, they each at the same time have domestic and other tasks and problems—political, social and economic—which differ widely. Canada’s particular responsibilities, her government, her constitutional structure, her ideals and aspirations, her memories and milestones, even her discords, are facts in her existence which cannot be approached understandingly or usefully by communications media owned or controlled in another country, even though that country be friendly. Only a truly Canadian printing press, one with the ‘feel’ of Canada and directly responsible to Canada, can give us the critical analysis, the informed discourse and dialogue which are indispensable in a sovereign society.

THE NATIONAL POLICY

Since Confederation, Canadian governments have maintained a policy which, while encouraging the free development of the nation’s resources, has safeguarded control of certain industries deemed essential to the operation of all others. Thus, in transportation, in energy and banking, careful regulatory and protective mechanisms have been devised. Such has not been the case with publishing, which, though measurably more important to the nation than the others, has avoided government interference.

FREEDOM OF EXPRESSION

In our society, freedom of expression—and therefore of the organs of expression—is so firmly established as to require overwhelming justification of anything that might be construed as interference by the State. So sacred indeed is the freedom of expression—or freedom of the press, which is but a function of all freedoms—so essential is it to our way of life that its protection benefits from every doubt of State measures which concern it.

This Commission was not established to devise means of curtailing the freedom of expression, nor to fashion means to in any way limit press freedom. It has not conceived it to be its function to restrict opinion in any way. But this is not to say that venerable and sanctified cliches about ‘press freedom’, shouted at the Com-
mission through so many of its hearings, should deter it from a
tsincere accomplishment of its instructions and much less from an
honest discharge of its duties to arrive at conclusions and make
recommendations, whether or not they entail legislation. There is
need to remember that freedom of the press is not an end in itself,
but only a function of general intellectual freedom; to remember
that no right includes a privilege to injure the society granting it;
to understand that a great constitutional doctrine cannot be reduced
to a mere business convenience, and that the press is but a Fourth
Estate—not a whole community.

The same might be said of the free flow of information and
readership preference which are corollaries of freedom of
expression. The Commission has been very much aware of the
importance of these principles, for which it has had special regard.
At the same time, however, it has viewed with distaste the sight
of fundamental principles of democracy being sent to act as decoys
in the interest of commerce.

THE NATIONAL INTEREST

There is, after all, practically nothing a government can do
without impinging upon the rights and privileges of some so that
they may harmonize with those of others with which they may
conflict. The constant redefinition of rights and privileges is the
continuing task of government. That this process is difficult, there
is no doubt. However, even in a matter as sacred as the freedom
of expression limitations have been applied in the past: no publica-
tion has the right to libel. It is not inconceivable that new limita-
tions may be necessary in the future, seeing that with the increased
importance and mounting power of mass communications, there
must be a corresponding gain in the power and importance of the
relatively few people who control the media, and, therefore, a
decrease in certain rights of other individuals in the community.

Experience has shown that the changing nature of communica-
tions media requires a restatement of national policy. In the past
there have been instances—in radio, television and the cinema—
where government has been compelled to action because of con-
siderations of character or cost. These steps have been justified on
the basis of national interest and there must be few left to deny
the right—indeed the duty—of the government to act again if
faced with demonstrable community necessity.
All media, although fulfilling the same fundamental role of communications, benefit from particular attributes and advantages. Television and radio both command a mass audience and enjoy the benefit of immediacy. Cinema also makes use of the audio and the visual, but lacks the immediacy of the other two. Print media are more permanent and more selective of audience.

DEFINITION AND ROLE OF PERIODICALS

The three forms of publications—newspaper, periodical, and book—overlap. The Commission decided that, for its purposes, a periodical is a printed publication, issued at regular intervals of not less than one week and not more than one year, appearing neither in the form of a book or of a newspaper, nor as a supplement to one particular book or newspaper. Newspapers (whether daily, weekly, monthly or otherwise) have been excluded, as have been yearbooks, almanacs, directories, etc.

CLASSIFICATION OF PERIODICALS

The terms ‘journal’ and ‘review’ are generally associated with periodicals of a learned, and consequently limited, appeal. The term ‘magazine’ is usually applied to a periodical which provides entertainment and general information. The term ‘business paper’ is commonly used to describe periodicals directed to a commercial readership.

The nature and size of a periodical’s readership will influence the advertising appeal of the publication.

‘CONSUMER’ AND ‘BUSINESS’ PUBLICATIONS

Periodicals are either ‘consumer’ or ‘business’, depending on whether the purpose is the provision of entertainment and general information, or the presentation of commercial or vocational information. Each of

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1 See Note to Appendix H.
these broad categories can be reduced to finer and subtler sub-classifications, including geographic distribution. The distinction between ‘national’ and ‘regional’ periodicals is based upon whether or not a periodical’s circulation covers the whole market.

Within the consumer periodical field, publications may be regarded as general or specialized, depending upon the audience they aim at. Some, however, are by no means obvious cases. The magazine directed specifically to women, housewives or teen-aged girls, might be thought of as specialized, since it deals with matters which interest females. But the segments of the population to which this kind of magazine is directed are so large that the Commission has treated it as a general consumer magazine.

Three other classes of publications are merely mentioned here because they are dealt with in detail later. These are the groups published in a language other than French or English, the “little” magazines and “cultural” publications, and the farm press.

**Professional and Corporate Publications**

Besides business periodicals published by commercial publishing houses, there are many publications put out by trade or professional associations or as house organs. These do not compete seriously for advertising revenues, and will not be considered.

**‘Canadian’ and Foreign Periodicals**

A Canadian periodical is one which is owned by Canadians, and which is located, edited, and printed in Canada. It follows that a ‘non-Canadian’, or, to be precise, a ‘foreign’ periodical, then, is one that does not conform to all the requirements set out for a Canadian publication.

Foreign periodicals appear in Canada in a number of forms, the oldest of which—and the one from which other species proliferate—is overflow circulation. Overflow is defined as that part of the circulation of a foreign periodical, as produced for its domestic market, which flows over the Canadian border and is sold here. As a part of the press-run of a magazine designed for distribution in a foreign country, it follows that overflow copies are identical with copies sold in the country of origin.

The other species of foreign periodicals are grouped together under the generic term by-product publications, which have as a common distinguishing feature a difference of some sort—in advertising material, in editorial material, or in both—between the domestic copies and those designated for sale in Canada.

The first variant of by-product publishing is known as the split run. It is a device for selling space for advertisements directed only to
potential consumers in particular geographic areas, rather than at buyers scattered as widely as the magazine circulates. The advertiser (or his agency) purchases a specific amount of space in the entire circulation of a magazine, but pays the publisher to stop the presses and substitute a different advertising plate for that portion of the magazine's circulation destined for a particular geographic region. Thus, an American company can direct a message in an American magazine specifically at Canadians, in all copies of the magazine exported to Canada. The advertiser must use—or co-operate with another advertiser in the use of—the space he buys. Variations of the split run technique are, therefore, possible: one advertiser can aim different messages about one brand or several brands at different areas, or two or more advertisers can divide portions of the circulation among them, each using his portion to reach only the particular area in which his portion will be sold.¹ An example of a split run exported to Canada is the *Saturday Evening Post*.

The second type of by-product publishing is the *regional edition*, in all particulars identical to the split run except that the publisher is responsible for the different editions, rather than the advertiser. The publisher is willing to permit an advertiser to buy (for example) one page in all copies of the magazine destined for Canada.

It is also possible to change some editorial material as well as advertising in a regional edition. For example, *TV Guide* has a section of editorial material common to all editions of the magazine, and another section in which both editorial content and advertising are varied according to the area in which the particular copy is sold. Editions of *TV Guide* circulated near the Canadian border and in Canada thus provide no "waste circulation" for the advertiser interested only in the international border-areas.

A third species of by-product publishing is the *Canadian section*, which differs only in one respect from those regional editions which also change editorial material. In a Canadian section, the 'Canadian' matter usually is an addition to and not a substitution for matter in the domestic edition.

These three forms of by-product publishing—split run, regional edition, and 'Canadian' section—are all relatively new merchandising techniques, through which the publisher, by stopping his presses whenever expedient, substitutes or inserts different advertising or editorial matter in copies destined for different geographic areas. In practice, of course, this means that Canada can be—and is—treated merely as

¹ Other combinations and variations are possible. These techniques are so new that there is a lack of a definitive terminology for them. To avoid confusion, only those affecting Canada are cited.
PER ISSUE CIRCULATION OF SELECTED CANADIAN MAGAZINES
AND READER'S DIGEST AND TIME IN CANADA, 1950-1959

THOUSANDS OF COPIES

1,000

950

900

850

800

750

700

650

600

550

500

450

400

350

300

250

200

150

100

50

0


ABSORBED CANADIAN HOME JOURNAL CIRCULATION.

SOURCE: TABLE-3
an "area" of the United States, and advertisements or editorial material, or both, directed specifically at Canadians can be—and are—inserted or substituted in those copies of the United States magazine intended for export to Canada.

A fourth variation of by-product publishing, the Canadian edition, is a separate press-run, entire in itself. The publisher is willing to re-make as much of his publication as necessary. A substantial amount of the editorial material used in the parent edition is re-used in the 'Canadian' edition. It is this re-use which gives the publisher a decided cost advantage, because the profit on the sale of advertising space is greater when editorial material can be used again instead of purchased anew. At present, the two main 'Canadian' editions are of Time and Reader's Digest. The latter also appears in a French version called Sélection du Reader's Digest.

The extent of overflow and by-product competition will be outlined later; its economic effects on the publishing industry also will be examined.

GENERAL ENGLISH-LANGUAGE

The general-interest English-language consumer magazines now in existence are Maclean's and Chatelaine, published by the Maclean-Hunter Publishing Company Limited of Toronto, and Liberty, published by Consolidated Press of Toronto. The weekend-type publications Star Weekly (published by the Toronto Star Limited) and Weekend (published by the Montreal Standard Publishing Company Limited) are somewhat apart from the traditional consumer periodical. They are printed by rotogravure on a lower quality paper. In addition, Weekend, is distributed as an end-of-the-week supplement to a large number of daily newspapers.

GENERAL FRENCH-LANGUAGE


REGIONAL-INTEREST

Regional-interest magazines are those with geographically limited circulations, and advertising and editorial content directed, in the main, at inhabitants of a particular geographic area. The largest are The

SPECIAL-INTEREST

This group includes a great number of magazines, most with smaller circulations, which are aimed at people with a special interest in common—be it a hobby, avocation, or membership in an economic or social group.

In determining the health of the Canadian periodical press, three measurements of growth may be used: births, deaths, and mergers; advertising revenues; and circulation.

GROWTH YARDSTICKS—BIRTHS AND DEATHS

Births and deaths of magazines are a general indication of the profit—or lack of it—in the magazine-publishing field. The following table shows how Canadian consumer-magazine publishing has declined in the last few decades.

<table>
<thead>
<tr>
<th>Decade</th>
<th>Started</th>
<th>Discontinued or Absorbed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-29</td>
<td>96</td>
<td>23</td>
</tr>
<tr>
<td>1930-39</td>
<td>72</td>
<td>65</td>
</tr>
<tr>
<td>1940-49</td>
<td>87</td>
<td>70</td>
</tr>
<tr>
<td>1950-59</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>1960-</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Some periodicals had short lives—for example, the Canadian Mercury and 20th Century both lasted less than ten years. A good many other publications appealed only to highly-specialized audiences. Most significant, perhaps, was the death, without replacement, of three large and long-established general-interest consumer magazines. The Canadian Magazine ceased with the April issue of 1939; its average net paid circulation for the six months to December 31, 1938, was 137,032, according to the Audit Bureau of Circulations. The National Home Monthly succumbed in November 1950, although its ABC average net paid circulation for the six months ending December 31, 1950, was

1 Or in existence.

2 The Audit Bureau of Circulations, or ABC, is a co-operative organization of publishers, advertisers, and advertising agencies which audits the circulations of member-publications. It works to avoid a climate of extravagant claims and counter-claims for circulations by publishers.
317,853. The Canadian Home Journal, which suspended publication with the June, 1958, issue, had an ABC average net paid circulation for the six months ending June 30, 1958, of 521,854. The trend toward fewer magazines, and especially the disappearance of established periodicals without replacement in the field by others, is significant.

GROWTH YARDSTICKS—ADVERTISING REVENUES

A magazine depends on advertising revenues for most of its income. It is in the advertising revenue field that the effect of the ‘Canadian’ editions of Time and Reader’s Digest becomes apparent. The following table shows how the leading Canadian consumer magazines’ share shrank in comparison from 1950 to 1959.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Advertising Expenditures (est.)</th>
<th>All Canadian Magazines (gross)</th>
<th>Leading Canadian Consumer Magazines (gross)</th>
<th>Time (gross)</th>
<th>Reader’s Digest (gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inc. Radio, TV etc.</td>
<td>(gros)</td>
<td>(gros)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>Dollars 233,997,000</td>
<td>10,874,000</td>
<td>7,089,000</td>
<td>1,177,000</td>
<td>1,558,000</td>
</tr>
<tr>
<td>1958</td>
<td>Dollars 503,891,000</td>
<td>21,366,000</td>
<td>11,150,000</td>
<td>3,622,000</td>
<td>4,582,000</td>
</tr>
<tr>
<td></td>
<td>% Increase</td>
<td>115.3</td>
<td>96.5</td>
<td>207.7</td>
<td>194.1</td>
</tr>
</tbody>
</table>

1 Including Time and Reader’s Digest.
2 “Leading Canadian Consumer Magazines” includes Canadian Homes, Chatelaine, Liberty, Maclean’s, La Revue Moderne, La Revue Populaire, Le Samedi, Saturday Night, Mayfair, and the Canadian Home Journal.
In 1959, over 40 cents of every dollar spent on consumer magazine advertising in Canada went to the 'Canadian' editions of *Time* and *Reader's Digest*.

**GROWTH YARDSTICKS—CIRCULATION**

Circulation does not provide a large share of a magazine's revenues, but it is an indication of public acceptance. Circulation refers to the number of copies distributed; but each copy of a magazine is usually read by more than one person. The second Canadian Consumer Publications Report, published in September, 1957, by Gruneau Research Limited, indicated that *Maclean's* had 3.4 readers per copy; *Chatelaine* had 2.8; *Weekend* had 2.7; but that *Reader's Digest* (English and French editions combined) had 3.6; and that *Time* was highest with 5.5.

The circulation of Canadian magazines has not grown at the same rate as that of competing foreign publications, at least for the last decade. In 1950, Canadian ABC-audited magazines circulated 38,133,000 copies per annum—28.8 per cent of a total of 132,540,000 circulated in Canada. By 1959, of a total of 192,479,000 magazines circulated, only 44,911,000, or 23.3 per cent were Canadian. United States overflow publications, and *Time* and *Reader's Digest*, however, recorded gains. In 1950, U.S. overflow amounted to 80,382,000 copies per annum, or 60.6 per cent of all magazines circulated in Canada, but by 1959 this had risen to 124,997,000, or 64.9 per cent. *Time* in 1950 circulated 6,182,000 copies per annum (4.7 per cent); in 1959 this was 10,946,000 (5.7 per cent). *Reader's Digest* circulated 7,843,000 copies per annum in 1950 and 11,625,000 in 1959; the percentages were 5.9 and 6.0 respectively.

Canadian magazines accounted for less than one-quarter of the total magazine sales in this country in 1959.

**OTHER TRENDS**

Two other trends also point to an unhealthy situation. Smaller publishing companies are finding it more and more difficult to continue consumer-magazine operations. As a result, Maclean-Hunter has become increasingly pre-eminent.

**Gross Advertising Revenues**

<table>
<thead>
<tr>
<th>Magazine</th>
<th>1950</th>
<th>1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Homes</td>
<td>$384,575</td>
<td>$731,001</td>
</tr>
<tr>
<td><em>Chatelaine</em></td>
<td>1,336,970</td>
<td>4,375,850</td>
</tr>
<tr>
<td><em>Maclean's</em></td>
<td>2,061,942</td>
<td>4,496,956</td>
</tr>
<tr>
<td><em>Mayfair</em></td>
<td>218,206</td>
<td></td>
</tr>
<tr>
<td><strong>Total, Maclean-Hunter</strong></td>
<td>4,001,693</td>
<td>9,603,807</td>
</tr>
<tr>
<td><strong>Total, Leading Canadian Consumer Magazines</strong></td>
<td>7,089,495</td>
<td>12,306,807</td>
</tr>
<tr>
<td><strong>Maclean-Hunter Share of Total</strong></td>
<td>56.4%</td>
<td>78% <em>&lt;sup&gt;1&lt;/sup&gt;</em></td>
</tr>
</tbody>
</table>

*<sup>1</sup>* Not including the 'Canadian' editions of *Time* or *Reader's Digest*. 

16
INDEX OF PER ANNUM CIRCULATION OF CANADIAN AND U.S.
A.B.C. MAGAZINES IN CANADA, 1950-1959
(1950 = 100)

TIME
(CANADIAN EDITION)

U.S. A.B.C.
MAGAZINES

READER'S DIGEST
(COMBINED CANADIAN EDITIONS)

CANADIAN A.B.C.
MAGAZINES

SOURCE: TABLE 4
In 1950, the four Maclean-Hunter consumer magazines, *Maclean's*, *Chatelaine*, *Canadian Homes*, and *Mayfair*, circulated 45.7 per cent of the total circulation per annum of all leading Canadian consumer magazines. By 1959 the Maclean-Hunter share had risen to 62.4 per cent. The four Maclean-Hunter magazines' total advertising revenues in 1950 represented 56.4 per cent of the total spent in all the leading Canadian consumer publications; by 1959 the Maclean-Hunter share had reached 78 per cent.\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>Per Issue</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1950</td>
<td>1959</td>
</tr>
<tr>
<td><em>Canadian Homes</em></td>
<td>51,000</td>
<td>128,000</td>
</tr>
<tr>
<td><em>Chatelaine</em></td>
<td>374,000</td>
<td>731,000</td>
</tr>
<tr>
<td><em>Maclean's</em></td>
<td>404,000</td>
<td>489,000</td>
</tr>
<tr>
<td><em>Mayfair</em></td>
<td>16,000</td>
<td>192,000</td>
</tr>
<tr>
<td><strong>Total, Maclean-Hunter</strong></td>
<td><strong>845,000</strong></td>
<td><strong>1,348,000</strong></td>
</tr>
<tr>
<td><strong>Total, Leading Canadian Consumer Magazines</strong></td>
<td><strong>1,913,000</strong></td>
<td><strong>2,292,000</strong></td>
</tr>
<tr>
<td><strong>Maclean-Hunter Share of Total</strong></td>
<td><strong>44.2%</strong></td>
<td><strong>58.8%</strong></td>
</tr>
</tbody>
</table>

The second trend arises from the first. It is the increasing dependency of Canadian consumer magazines upon virtual subsidization by the profitable business-paper activities of multiple publishers.

**GENERAL ENGLISH-LANGUAGE**

*Maclean's* was first a monthly, then a twice-a-month publication, but now appears fortnightly. It began in October, 1905, when Colonel John Bayne Maclean took over a small house organ known as *The Business Magazine* and converted it into a general publication called the *Busy Man's Magazine*. Six years later, its name was changed to *Maclean's Magazine*. *Maclean's*, aimed at the broad audience, has taken over portions of the circulations of magazines which were forced to discontinue publication, the most notable being *The Canadian Magazine* and the *National Home Monthly*.

*Chatelaine*, a monthly women's magazine, was founded under that title in 1928. In 1958 it acquired the circulation of *Canadian Home Journal*.

*Liberty* began as the Canadian issue of a United States publication of the same name, published by Bernarr Macfadden. The Canadian issue was sold after the American ceased publication. *Liberty's* name was changed to *New Liberty* with the March, 1948 issue, when *New World Illustrated* was consolidated with it. At that time, the frequency was also changed from weekly to monthly. In 1954, it again became *Liberty*.

Financially, *Maclean's* and *Chatelaine* have had good and bad periods.

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\(^1\) Not including the 'Canadian' editions of *Time* or *Reader's Digest*.
Liberty has been making a small profit, but not enough to offset the losses recorded by Saturday Night, the other Consolidated Press magazine. In 1958, Consolidated Press sold its business papers, and discontinued publication of the Canadian Home Journal and Farmer's Magazine, all of which had been unprofitable. The Liberty-Saturday Night combination still operates at a loss. The “subsidy” comes from Consolidated Frybrook Industries Limited, the parent company of Consolidated Press, and is made possible by virtue of Frybrook's other, profitable business enterprises.

Chatelaine, Maclean's and Liberty face mounting competition from Weekend, which has grown tremendously in the last decade. Moreover, television has undoubtedly diverted many advertising dollars away from consumer magazines.

The record of advertising revenues of Canadian magazines shows that, in the main, they have not kept pace with foreign competition.

### Gross Advertising Revenues

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1959</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chatelaine</td>
<td>1,336,970</td>
<td>4,375,850</td>
<td>227.3(^1)</td>
</tr>
<tr>
<td>Liberty</td>
<td>694,582</td>
<td>1,383,629</td>
<td>99.2</td>
</tr>
<tr>
<td>Maclean's</td>
<td>2,061,942</td>
<td>4,496,956</td>
<td>118.1</td>
</tr>
<tr>
<td>Time</td>
<td>1,176,687</td>
<td>3,946,774</td>
<td>235.4</td>
</tr>
<tr>
<td>Reader's Digest</td>
<td>1,557,612</td>
<td>4,616,353</td>
<td>196.4</td>
</tr>
</tbody>
</table>

Circulation figures, too, show that foreign competition is forging ahead.

### Circulation in Canada

<table>
<thead>
<tr>
<th></th>
<th>Per Issue</th>
<th>% increase</th>
<th>Per Annum</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chatelaine</td>
<td>374,000</td>
<td>95.5</td>
<td>4,492,000</td>
<td>8,770,000</td>
</tr>
<tr>
<td>Liberty</td>
<td>411,000</td>
<td>42.3</td>
<td>4,934,000</td>
<td>7,023,000</td>
</tr>
<tr>
<td>Maclean's</td>
<td>404,000</td>
<td>21.0</td>
<td>9,698,000</td>
<td>12,702,000</td>
</tr>
<tr>
<td>Reader's Digest</td>
<td>654,000</td>
<td>48.2</td>
<td>7,843,000</td>
<td>11,625,000</td>
</tr>
<tr>
<td>Time</td>
<td>119,000</td>
<td>76.5</td>
<td>6,182,000</td>
<td>10,946,000</td>
</tr>
</tbody>
</table>

Figures for per annum circulation provide the best measurement of a magazine's impact, but are not a perfect indication of the relative positions of magazines, since frequencies of issue differ.

**GENERAL FRENCH-LANGUAGE**

Le Samedi and La Revue Populaire, both published by Poirier, Bessette & Cie. Ltée., are designed to appeal to the urban Quebec reader. Le Samedi, founded in 1882, was a general-interest weekly until March, 1959, when it became a fortnightly. La Revue Populaire, a monthly, was founded in 1908, and is directed at women.

\(^1\) In 1958 Chatelaine absorbed the circulation of Canadian Home Journal, which had a circulation of 358,000 in 1950, and 500,000 in 1957, shortly before its demise.
The Maclean-Hunter publications, *Le Magazine Maclean* and *Chate-
laine—La Revue Moderne*, are monthlies. *Le Magazine Maclean*, a
general-interest publication, began with the March, 1961 issue; *Chate-

French-language magazines are, in general, more protected by the
language from United States overflow than are English-language publi-
cations. There is, of course, the competition from imports from France.

*La Revue Populaire* and *Le Samedi* have probably been hurt by the
“combined rate” on advertising offered by *Reader's Digest* and *Sélection
du Reader's Digest*. This combined rate is a saving to the advertiser of
up to $900 on a four-colour page when bought concurrently in both
the English and French editions. The competitive resources available
to *La Revue Populaire* and *Le Samedi* are much less than those avail-
able to newcomers in the field. Maclean-Hunter and *Weekend* also offer
combined rates on advertising, but the saving is much less.

The present situation in the French-language press is indicated by
the following table:

### Gross Advertising Revenues

<table>
<thead>
<tr>
<th>Publication</th>
<th>1950</th>
<th>1959</th>
<th>Rate of increase or decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>La Revue Populaire</em></td>
<td>$223,518</td>
<td>$273,274</td>
<td>22.2%</td>
</tr>
<tr>
<td><em>Le Samedi</em> *</td>
<td>$229,503</td>
<td>$192,705</td>
<td>-19.1%</td>
</tr>
<tr>
<td>Reader's Digest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>—English only</td>
<td>$65,043</td>
<td>$246,010</td>
<td>278.2%</td>
</tr>
<tr>
<td>—French only</td>
<td>$26,788</td>
<td>$139,795</td>
<td>421.9%</td>
</tr>
<tr>
<td>—Combined</td>
<td>$1,465,781</td>
<td>$4,230,548</td>
<td>188.6%</td>
</tr>
<tr>
<td>—Total</td>
<td>$1,557,612</td>
<td>$4,616,353</td>
<td>196.4%</td>
</tr>
</tbody>
</table>

### Circulation

<table>
<thead>
<tr>
<th>Publication</th>
<th>1950</th>
<th>1959</th>
<th>Rate of increase or decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>La Revue Populaire</em></td>
<td>74,000</td>
<td>104,000</td>
<td>40.5%</td>
</tr>
<tr>
<td><em>Le Samedi</em> *</td>
<td>70,000</td>
<td>78,000</td>
<td>11.4%</td>
</tr>
<tr>
<td>Sélection du Reader's Digest</td>
<td>120,000</td>
<td>190,000</td>
<td>58.3%</td>
</tr>
</tbody>
</table>

### REGIONAL-INTEREST

*The Atlantic Advocate* is a monthly general-interest magazine which
incorporates the *Maritime Advocate* (established in 1910 as *The Busy*

* Changed from monthly to fortnightly, March, 1959.
East), and The Atlantic Guardian, which had been published in Newfoundland. The Atlantic Advocate is primarily directed at the readers in the four Atlantic provinces.

The Montrealer is a monthly designed to attract sophisticated readers, and was established in 1926. In April, 1960, it was acquired by the Wallace Publishing Company Limited when it purchased the Passing Show Publishing Company.

Western Homes and Living, published by Mitchell Press Limited, Vancouver, is a monthly "shelter" magazine.

None of the three is profitable; all depend for their existence on the other publishing activities of the owners.

SPECIAL-INTEREST

Saturday Night, now a fortnightly published by Consolidated Press, was founded in 1887, and was a weekly until May 14, 1955. It seeks a "quality" audience without the resources necessary for the provision of material competitive with that in American "quality" magazines aimed at a similar audience. Saturday Night also has been faced with severe competition from Time's 'Canadian' edition.

Saturday Night's gross advertising revenues dropped from $419,568 in 1950 to $397,393 in 1959, down 5.3 per cent. Time, on the other hand, had gross advertising revenues of $1,176,687 in 1950 and $3,946,774 in 1959—a gain of 235.4 per cent.

In 1950 Saturday Night circulated 2,800,000 copies in the year as a weekly, but only 1,999,000 in 1959, down 23.6 per cent. Per issue circulation figures show that the magazine gained 37 per cent from 1950, (54,000 copies) to 1959 (74,000 copies). Time, however, boosted its circulation at a faster rate: in 1950 it circulated 6,182,000 copies per annum, but in 1959 this had grown to 10,946,000, a 77.1 per cent gain.

Canadian Homes, Maclean-Hunter's monthly "shelter" magazine, was founded in 1924 by Rupert Davies, and was bought the next year by its present owners. It acquired the subscription list of Your House and Garden in 1951 when that magazine suspended publication. Early in 1960, its name was changed from Canadian Homes and Gardens to Canadian Homes. Canadian Homes is definitely directed to homemakers in the upper-middle and middle-income brackets who are interested in architecture, landscaping, and interior decoration. Canada's sparse population means that this magazine's potential audience is small. Yet Canadian Homes seeks to compete with the lavish "shelter" magazines overflowing from the United States, where a bigger population (and,
consequently, a bigger potential market) awaits publishers and advertisers. Some American "shelter" magazines have higher circulations in Canada than has Canadian Homes.

Among other special-interest magazines are Health, the bi-monthly official organ of the Health League of Canada; The Legionary, published since 1917 by the Canadian Legion; the Canadian Jewish Review, a weekly established in 1921; Rod and Gun in Canada, a monthly appealing to the hunter, fisherman, camper, and outdoorsman; and Canada Track and Traffic.

**DISTRIBUTION**

Magazines are distributed by mail and newsstands. Distribution to newsstands is usually in three stages: copies are sold by the national distributor to the wholesale distributor in a particular area, who in turn sells them to the retailer.

The main national distributors operating in Canada are the Curtis Distributing Company of Canada, Limited; Select Magazines Inc.; and Fawcett Publications, Inc. All are American-owned. Curtis distributes all three Maclean-Hunter English-language consumer magazines.

These national distributors, together with a few smaller operations, sell to 54 Canadian wholesalers—usually one to a geographic area—who employ over 1,300 workers and serve approximately 17,800 retail dealers. Gross sales by wholesale distributors in 1959 amounted to $36,596,307; of this, $4,976,837 was from Canadian magazines.

In addition, there are several national distributors of British and European publications. None has a big share of the Canadian business.

**SUMMARY**

Canadian consumer publications, as shown statistically, have not been growing at the same rate as either their foreign competition or advertising media generally. Overflow adversely affects our magazines' circulations; by-product publishing affects their advertising revenues also. Their position has been impaired by television, now a major advertising medium, and by the success of the weekend publications.

**ADVERTISING REVENUES**

In 1950, net advertising revenues for Canadian consumer magazines (including Time and Reader's Digest) and the revenues for Canadian business papers were almost the same—$9,058,000 for the former and $9,704,000 for the latter. By 1958, however, consumer magazines had increased their advertising revenues to $17,798,000, a 96.5 per cent gain, but business papers garnered $23,383,000, a jump of 141 per cent.
FOREIGN COMPETITION

Canada's business papers, as evidenced by advertising revenues, have been growing and should be in a healthy state. But United States business papers are beginning to offer split runs, and there are already a few 'Canadian' editions. Canadian business paper publishers fear that other American competitors will also enter this lucrative sphere with forms of by-product publishing. The per annum circulation of United States business papers in Canada rose 309 per cent between 1950 and 1959, while Canadian business papers rose only 88 per cent.
II

THE PROBLEM
Today the revenue obtained from the reader’s subscription to a magazine often is insufficient to cover the publisher’s cost of obtaining that subscription. No Canadian magazine of any sizeable circulation looks to advertising for less than half its total revenues. The majority derive around 75 per cent of their income from this source, and a few close to 90 per cent.

Thus the “reader” is in himself a product to be sold for the best possible price to the largest number of customers (this is a peculiarity of the industry—the same product can be sold over and over again to different customers) and so there arises the problem of evaluating this “product”.

Two major criteria have been established for this: Quantity and Quality.

The yardstick for measuring Quantity is a simple one. It is not sufficient for a magazine publisher to demonstrate to a potential advertiser that his circulation is so many tens of thousands, hundreds of thousands, or millions. The publisher must also show that he can “deliver” this audience for the advertiser’s message at a lower cost than can his competition. This is calculated by an elementary formula—the cost of a full page advertisement divided by the number of thousands of circulation to provide the cost-per-page-per-thousand-readers, often referred to as “the cost-per-thousand” or symbolized by “c/1,000”.

Measurement of Quality, generally by using various forms of readership surveys, is more difficult. It must indicate the superior purchasing power of the reader—among the qualities most sought after are high incomes, property holdings, university degrees and positions of influence.

**QUANTITY AND QUALITY**

In measuring magazine audience, it is generally recognized that the larger the quantity of circulation the lower its average quality and, conversely, the higher the quality insisted upon, the smaller the potential
quantity. Furthermore, advertisers place differing emphases on quantity versus quality, depending upon the type of product they are selling. On the one hand there is the mass-appeal product, for which a mass audience is essential; on the other is the high-cost or special-appeal product where one prosperous prospect is worth a dozen "quantity" readers.

No magazine has the perfect group of readers for every product. So magazines vie with each other to prove how near perfection their circulation has come. Where either quantity or quality is the supreme consideration the advertiser has little difficulty in selecting the media that will carry his message. It is in the middle area, where some balance has to be struck between the two requirements, that problems arise.

Will a large circulation or a smaller influential one bring the publisher the most profit? Should his editorial content be aimed at the lowest common denominator or should its appeal be restricted to the upper intelligence and income brackets? Which will attract the most revenue, without itself costing too much to attract and maintain? Each choice has its limitations.

QUALITY LIMITATIONS

While the quality circulation doesn't have to be anywhere nearly as large as that seeking mass-appeal advertising, its acquisition can prove a costly operation—there are examples of upper-income bracket circulations which cost half-as-much again to acquire and maintain as the circulation revenues they bring in. This is due, in part, to the number of potential upper-income readers being relatively small.

QUANTITY LIMITATIONS

A publisher who decides to procure quantity must obtain the largest possible circulation and be in a position to offer it to the advertiser at the lowest possible cost-per-thousand-rate. The struggle for circulation supremacy is severe.

THE PUBLISHING SPIRAL

Behind all this is an important spiralling action, fundamental to periodical publishing: the larger a periodical's circulation the more advertising it can attract; the greater its advertising revenue, the more it can afford to spend on editorial content; the more it can spend on editorial the better are its chances of obtaining more circulation.

When a magazine strives too hard for circulation, costs increase by a frightening arithmetical progression, with each additional 1,000 new subscribers costing much more than the last.

THE ADVERTISING AGENCIES

Perhaps the most powerful single influence in an advertiser's selection of media is the recommendation of his advertising agency. The agency
is the specialist and its advice extends not only to whether magazines should be used in preference to newspapers, or television in preference to either, but also as to whether one magazine should be used rather than another. Consequently, magazines, in common with other media, devote much time and effort to persuading advertising agencies of the merits of the audience their publications command.

Originally, an advertising agent was one who bought an amount of space from a publisher at a discount and resold it to advertisers at a higher rate. This method of remuneration has continued but the advertising agent is now and has been for many years the agent of the advertiser, not the publisher. The method of remuneration whereby the seller (the publisher) of the service rather than the buyer (the advertiser) pays the agent is unusual in the business world and may be unique. There was evidence that advertising agents are paid by clients for services additional to the normal functions of agencies but it is a fact that the bulk of their revenues still is derived by way of commission or discount.

**Production Costs**

In view of the fact that engravers, typesetters, printers and others concerned with advertising give the same discount as the publications, there is no incentive for an agency to try to reduce the cost of preparation. The Commission was assured, however, that efforts are constantly being made to reduce this cost.

Preparation of original advertising in Canada, including art work, drawings, engravings, electrotypes and typesetting, forms a substantial proportion of the total of advertising costs. This is inevitable when the number of publications to be used is relatively small. Preparation of advertising in Canada probably runs to about 20 per cent of the total outlay. In the United States it is probably not more than 5 per cent. For example: *Time* in the United States has a circulation of 2,519,000 per week and charges $21,450 per four-colour page. The 'Canadian' edition of *Time* is 226,500 and the price per four-colour page of advertising for it alone is $3,030 per page. As the cost of preparation of a page advertisement is approximately the same in both countries, the Canadian preparation charges, as a percentage of the space charges, are much higher.

The future of Canadian periodicals depends in great degree on the proportion of the advertising dollar which actually reaches the publication; for this reason the Commission felt it must look carefully into advertising agency operations and into other costs.

It is traditional for the advertising agencies to be remunerated through discount from publishers, printers, etc.
The example of a small advertising account is illuminating. If the advertiser is spending $100,000 a year, a 20 per cent preparation charge would leave $80,000 a year expenditure on space. The agency would normally receive 15 per cent of the $80,000 plus a 2 per cent cash discount, or a total of $13,600. Thus, of the $100,000 the advertiser spends, there would actually reach the publishers $66,400 or only two-thirds of the appropriation.

An advertising agency performs a number of functions which include making the contracts with the publication, issuing the insertion orders, checking the publication in order to make sure that the advertising was inserted as instructed. It is clear, therefore, that it costs an agency more to administer a large number of small contracts than it does to attend to a small number of large contracts. This is the basis of some of the problems of the small publications. If, for example, all of an advertising campaign were in only three magazines, the agency’s cost of operating that account, at least on the administrative side, would be much less than if the same amount of money were spread over some hundreds of small publications. In the one case there would be only three contracts, three insertion orders to be sent out, three publications to be checked as to fulfilment of contract, and only three cheques to be issued for payment of the space and circulation delivered. The net profit to any agency in such an account would clearly be greater than in an account involving, at the other extreme, several hundred of these operations.

It is not argued here that it is better to advertise in a great number of small publications than in a few large publications. Nor is it asserted that the number of publications to be used is a deciding factor in the recommendation of the advertising agency to his client. Advertising agents are, however, like other business people in that they must have regard to net profit in their operations. The degree of disinterestedness will vary, but only an impractical person can be so disinterested as to disregard the factor of net profit. The counselling of advertisers by agencies is thus affected in varying degree by the profit interest of the agencies.

Advertising agencies undoubtedly have a great influence on the placing of advertising by advertisers. The representatives of both the agencies and the advertisers intimated that the advertiser has an equal voice in the decision as to what publications are to be used in any advertising campaign. But the interests of the advertiser and the agent, as suggested above, are not invariably the same and there must be occasions when the client-advertiser exercises his authority. On the other hand, the agency is often viewed by the advertiser as an expert whose advice
should be followed. This would be particularly true among relatively small advertisers without well-organized advertising departments.

It would seem unlikely that Canadian advertisers or agencies look on advertising activities as a matter affecting national interest or that they consider the implications of placing advertising in foreign periodicals distributed in Canada. The agency representative informed the Commission that the "motivation" of the agency business is to place advertising to help move goods and services. This implies that an increase in the movement of goods and services would be in the national interest regardless of how and where the advertising was done. Evidence that advertising placement is not in every case decided at the highest levels is shown in the Government itself, for there has been substantial departmental and Crown corporation advertising in the two largest 'Canadian' editions of United States magazines. There has been at least one Canadian advertisement in a foreign magazine admonishing readers to be sure to "Buy Canadian".

There may be some reluctance on the part of the smaller Canadian periodicals to seek advertising other than through the advertising agencies. There is no doubt that there are scores, perhaps hundreds, of small publications that have been without the co-operation of advertising agencies, even though their publications have, at least in their view, merits beyond what may appeal to a buyer of space in an advertising agency. The largest and most successful Canadian periodical publisher, on being asked about this, said that his people had always been instructed to sell at all levels: the agency, the advertising manager of a company, the general manager, and the president, if necessary. This is a breadth of approach which, if it could be followed by others, might promote the welfare of smaller Canadian publications.

Most Canadian magazines have complained to the Commission that they are threatened with extinction because of inequitable competition, in circulation, as well as in advertising.

CIRCULATION

The flood of magazines from the United States certainly makes Canadian circulation efforts a costly process. The newsstands are dominated by American publications which, with their greater bulk and more expensive appearance, overpower as well as outnumber the native product.

Further, the cost of obtaining circulation by subscription is substantially increased for the Canadian magazine which, through its direct mail letters, must compete with the millions of such letters from United States magazines, for the attention and dollars of its potential or expired...

Allegations of Inequitable Competition
subscribers. Canadian magazines complain, too, that they have to embark upon a variety of other costly circulation procurement operations, such as creating field subscription selling forces, to combat similar moves by United States magazines and their agents.

Canadian publishers also claimed that their United States counterparts enjoy more advantageous postal rates into Canada than even to some parts of their own country. These resulted largely from the system of postal zones used in the United States. This advantage seems to have been eliminated by rate increases recently announced by the United States Post Office.

The Canadian Post Office offers American publishers a rate higher than that for Canadian publications but lower than that applying in the United States. This "mailing in Canada privilege" is solely a device for obtaining some revenue from the heavy flow of second class mail into Canada from the United States. It is an inducement to get the United States publisher to ship his magazines into Canada and mail them here, thus making his payment to the Canadian rather than the United States Post Office.

It is difficult to see serious inequality in this case.

ADVERTISING REVENUE

Canadian publishers say that the competition for advertising is at two levels.

First, the total potential advertising revenue available to magazines in Canada is restricted by overflow circulation into this country of United States magazines. This circulation may lead United States companies with branches or subsidiaries in Canada to restrict their advertising in Canadian magazines. There is further concern over the apparent trends towards split runs, regional editions, etc.

Second, a most serious diminution of Canadian publications' advertising revenue is caused by the sale of space in the so-called Canadian editions, such as Time and Reader's Digest.

These two publications have substantial advantages in that their editorial material is largely prepared for their home editions and the extra cost for "Canadian" editions is minimal. This editorial "dumping" is an important competitive factor, in both advertising and circulation, for the Canadians to overcome. It is so obvious that it is not necessary to try to measure it.
Three out of every four magazines read by Canadians are imported from the United States. In 1959, Canadians read some 147 million copies of United States magazines, or 'Canadian' editions, compared to 45 million copies of Canadian magazines. There are at least 500 (and perhaps 800) different United States magazines coming into this country.

Distribution of about 40 per cent of the magazines sold on Canadian newsstands is controlled by two United States companies, Curtis Publishing Company (which publishes Saturday Evening Post and Ladies’ Home Journal among others) and Select Magazines, a consortium of five United States magazine publishers, including Time and Reader's Digest. The 40 per cent includes many of the large-circulation magazines. The Maclean-Hunter Publishing Company Limited, formerly operated its own Canada-wide distribution system for its publications but (since 1958) these have been distributed under contract by the Canadian subsidiary of the Curtis Publishing Company.

The small newcomer in the magazine field finds it very difficult to obtain newsstand distribution. It is not easy for such newcomers to sell subscriptions by direct mail when single copies are not publicly available.

The cover price of Canadian magazines is affected by United States competition. The Canadian prices are lower but there is a much thinner magazine to offer. Calculated on a per-page basis, their cover price is not out of line with those of United States magazines.

NEWSSTANDS

It is impossible for any newsstand dealer to provide space for all of the 500 to 800 different magazines available to him. Naturally, he tends to have a preference for the established high-circulation magazine.
Established magazines with a specialized appeal also find it difficult to obtain newsstand distribution in any but the larger centres of population and then only in certain locations.

There are certain advantages to single copy sales:

Revenue-per-copy is greater to the publisher from newsstand sales, while subscription sales, especially those at cut-rates, often cost more to obtain than the revenue they produce.

Advertisers and advertising agencies may attach more value to newsstand than to subscription sales. They consider the former a freely-made sale, at full cover price, made on a week-by-week basis, whereas a subscription sale is often at cut rates, with other inducements thrown in. The subscriber also may lose interest in the magazine and perhaps not bother to read it. Long-term subscriptions can cover up a deterioration of editorial appeal, while this becomes evident very quickly on the newsstand.

The major Canadian magazines derive only 10 per cent to 25 per cent of their sales through newsstands while the corresponding figure for major United States magazines is 49 per cent of those sold in Canada. There is good reason for this—Canadian magazines do not receive comparable exposure on newsstands. As a result, they have had to resort to cut-rate subscription methods in order to counter-balance the better appearance and editorial quality of their more prosperous United States counterparts.

SUBSCRIPTIONS

The dependence of Canadian magazine publishers upon subscription sales is not of their own choosing. Their efforts at circulation through such means have been made more costly than would otherwise be necessary, by the pressures of the overflow circulation of United States magazines.

The war for circulation being waged among the largest United States magazines is felt in Canada. Many of them are increasing their circulation promotional activities in Canada.

The November 25, 1960 issue of Printer’s Ink, (a United States business paper covering the publishing field), reported that Life was planning a $500,000 television program for its 25th anniversary in March, 1961; Look magazine spent equivalent sums on TV during the two presidential nomination campaigns and the election-night coverage last year; Reader’s Digest opened a million-dollar campaign last December, mostly through spot television, aimed at building single-copy sales. While this advertising is mainly over United States television stations, much of it is seen by Canadian viewers along the border.
Of the seven major agencies operating their own "Paid During Service" field sales forces on a full-time basis in Canada, five are directly controlled from the United States, one is partially controlled, and the seventh was recently established by Maclean-Hunter, at considerable cost, in an attempt to counter this competitive force.

NET SUBSCRIPTION REVENUES

The Maclean-Hunter operation has to include United States magazines in its list in order to provide its salesmen with incomes comparable with those offered by the other agencies.

This is a costly sales method, for the publisher sees little, if any, of the money paid for these subscriptions. In many cases, the field salesman receives 50 per cent of the money he collects. His supervisors or employers take most, if not all, of the remainder. There have been instances where the publisher received only 5 per cent to 15 per cent of the subscription money collected and, out of this he had to pay for his own field supervisory organization, as well as for his advertising promotion and the cost of processing the subscription.

There are two or three brief periods of the year, such as the Christmas gift-giving period, when experience has shown subscription offers by mail achieve the best response. Magazine publishers tend to concentrate
their direct-mail efforts in these periods, with the result that potential subscribers are flooded with offers from both Canadian and United States publishers. This severely reduces the Canadian publisher’s potential returns per thousand letters mailed.

The direct mail letters used by United States magazine publishers are generally more elaborate than those used by Canadian publishers, this because United States publishers are able to take advantage of the enormous press runs needed to meet their domestic requirements. For the same reasons, they are able to afford the very best creative talent, both in artists and writers, in the preparation of these mailing pieces. They can also carry out exhaustive pre-mailing tests to ascertain the most effective approach to take. Often the quantities of letters sent out in pre-mailing tests by United States publishers are equivalent to the totals contained in the complete direct mail campaign of the Canadian publisher.

In this area the benefits that accrue from a large-scale operation are substantial. They place the Canadian publisher at a definite disadvantage which he counters, and then only to a limited extent, by spending more on this aspect of his overall operation than can be considered economically sound.

United States magazines circulating in Canada, some of them for generations, undoubtedly have an effect on the total of advertising revenue available for Canadian publications. This effect is difficult to calculate.

SPLIT RUNS, REGIONAL SECTIONS

Split runs and regional sections are refinements of overflow circulation to make possible the redirection of advertising specifically to the Canadian consumer. There are at present 76 United States magazines, offering split run advertising, and in the case of the 29 United States magazines offering regional editions in 1959, six of them treated Canada as a separate region.

The Commission’s view is that split runs are a serious threat, but not a present danger. The Saturday Evening Post charges advertisers $1,550 for having the presses stopped and a split-run advertisement substituted. Spread over this magazine’s Canadian circulation, this amounts to a surcharge of $5.85 per thousand readers and, as the advertiser has already paid a cost-per-thousand of $6.81 for this circulation, his total for a split-run advertisement to Canadian readers would amount to $12.66 per thousand, far more than the cost of running the advertisement in a Canadian magazine.

If, as seems likely, the practice becomes widespread the split-run surcharge will be reduced, because it costs little more to stop the printing
ADVERTISING RATES OF SELECTED CANADIAN MAGAZINES AND CANADIAN EDITIONS OF READER'S DIGEST AND TIME, 1950, 1955 AND 1959

COST PER PAGE (BLACK AND WHITE, ONE TIME RATE) PER 1000 CIRCULATION

COST PER PAGE (BLACK AND WHITE, ONE TIME RATE) PER 400 CIRCULATION

1950

1955

1959

SOURCE: TABLE 26
presses for six advertisement plate changes than for one. With most magazine advertisements confined to certain sections of these books, it is technically feasible to make up to 32 plate changes with only one interruption in the press run. This would be as applicable to sectional split runs and regional editions.

CANADIAN SECTIONS

The increasing availability of the split run has made ‘Canadian’ sections largely redundant. Much of their recent popularity was based on liquor advertising restrictions in Ontario. When these were amended in August, 1960 at least one ‘Canadian’ section’s revenue was reduced to the point where it became no longer profitable and it was discontinued.

CANADIAN EDITIONS

‘Canadian’ editions are the ultimate refinement in the re-use of second-hand editorial material to provide a vehicle for a new set of advertising messages. Two ‘Canadian’ editions, Time and Reader’s Digest, have been getting over 40 per cent of the total spent on magazines in Canada.

The main complaint of “inequitable competition” made against ‘Canadian’ editions by the Canadian magazine publishers concerned the re-use, in whole or substantial part, of the editorial content of parent editions. In the case of Time, this consists of its taking the bulk of the Time (U.S.) editorial content and prefacing it with four pages on Canadian affairs. Reader’s Digest draws exclusively from the central editorial pool created by the United States edition, but employs an editorial staff in Canada to provide boxes and footnotes, explaining the Canadian aspects of the editorial material obtained from this central pool.

The unfairness of this competition may be measured in two ways:

The actual cost of obtaining and preparing the editorial material made available to these ‘Canadian’ editions is far beyond what they or Canadian magazines could possibly afford, bearing in mind the size of the Canadian magazine-reading population. An estimate is that Time of Canada pays to its parent company less than 2 per cent of the actual cost of the editorial material thus coming to it; while Reader’s Digest’s total editorial costs, including the editing carried on in Canada, is a fraction of the total amount spent by the parent organization in obtaining and preparing it. Clearly, these publications have the advantage of being able to use high-cost editorial to obtain large circulations.

Canadian magazine publishers spend 10 per cent to 20 per cent of their total revenue on editorial content, and this figure is not out of line with the magazine cost-survey material made available by the United States Magazine Publishers Association. The Commission’s
auditors' report\(^1\) shows that both *Reader's Digest* and *Time's* ‘Canadian’ editions, through the re-use of their parent companies’ editorial material, spend a much lower percentage of their revenue for this purpose. This leaves them greater resources available for other publishing operations or greater profits, or both.

It could be argued that the amounts these ‘Canadian’ editions remit to their parent companies for use of this editorial material is actually part of the profit of that operation, in that the money so allocated is, in effect, underwriting the editorial costs of the parent publication and so contributing to its profits.

In the case of *Reader's Digest*, this would consist of the cost of maintaining that section of its editorial staff in Montreal which either provides the “Canadian aspect” for articles taken from the central pool or which is responsible for the translation of articles used in *Sélection*. *Time* of Canada’s true editorial costs are those incurred in providing the writers and researchers in New York who work on the four-page Canadian Affairs section, together with the additional reportorial coverage of Canada needed to support that section. But even if there were no ‘Canadian’ edition of *Time*, the parent magazine would still have to maintain some staff in Canada to provide that part of the world-wide news coverage required for the domestic edition.

Examination has shown that the financial advantage of pre-paid editorial material has been used mainly to provide larger profits for these two ‘Canadian’ editions, profits which are well in excess, not only of any enjoyed by Canadian magazines, but also of the majority of magazines covered by the United States Magazine Publishers Association cost survey.

The rate of these profits is in excess of the profits of their parent magazine operations.

These Canadian editions also could increase their editorial expenditures until they were in line, on a percentage-of-revenue basis, with those of Canadian magazines and still they would make substantial profits on their Canadian operations.

**Circulation Procurement Costs**

One of the criticisms levelled at Canadian magazines is that they devote far too large a proportion of their total resources to the procurement of circulation.

Latest figures available to the Commission show that some Canadian magazines lose heavily on this activity, i.e., the revenue obtained from the sale of a magazine, either by newsstand or subscription, has not been sufficient to cover the cost of obtaining it.

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\(^1\) See Appendix F.
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1 See Appendix F.
The president of Maclean-Hunter Publishing Co. Ltd., told the Commission of his company's decision in 1958 to withdraw Maclean's from the circulation race. The advertising revenue decline, together with that taking place in circulation revenues, was largely offset by substantially reduced expenditures on circulation promotion and procurement, quite apart from other savings, such as in paper and printing.

**CIRCULATION COMPARISONS**

The adult in the United States, on average, reads 60 per cent more magazines than does the Canadian.

Projected on a population ratio of 10 to one, the 1959 average circulation of *Chatelaine*, of 745,589, is equivalent to 7,455,890, which is far greater than that achieved by any United States magazine covering the same field. If one confines the *Chatelaine* coverage to the English-speaking and bilingual portion of the Canadian population, the ratio rises to 13 to one, which gives this magazine a 1959 coverage equivalent to a circulation of close to 10 million in the United States. By comparison, at that time, *McCall's* had a circulation of 5,726,103, *Ladies' Home Journal* 5,986,726, and *Good Housekeeping* 4,673,416. Similar comparisons could be made for *Liberty*, and *Maclean's*.

It is perhaps understandable that the Canadian publishers should seek such relatively large circulations. They are faced currently with the challenge of the 1,100,000 circulation for the combined English-French editions of *Reader's Digest. Weekend/Perspectives* has a weekly circulation of 1,870,000. Distributed as a supplement to the Saturday editions of some 35 daily newspapers, *Weekend/Perspectives* has achieved this circulation without the financial burden inherent in the traditional magazines' procurement methods.

**EDITORIAL STANDARDS**

The editorial standard of Canadian magazines was defended on two counts: either it was considered of high quality or else it was as good as reasonably could be expected. Canadian magazines could not spend on this department on the same scale as do competitors in the United States and in other countries with larger populations.

There is little doubt that Canadian magazines do not always have available to them the work of some good Canadian writers who, understandably, are attracted by the better prices they can obtain for their product in the United States. Some Canadian magazines spend twice as much on circulation promotion as they do on editorial content.

The editorial metamorphosis of *Chatelaine* in 1958, following its absorption of *Canadian Home Journal*, is worth noting. Not only has
Chatelaine achieved a relatively large circulation but it has also attracted advertising revenues greatly in excess of the total obtained by it and Canadian Home Journal before the merger.

REALIGNMENT IN THE INDUSTRY

A study of the changes that have taken place in the periodical press of other countries reveals a procession of magazine births and deaths. In the United States, for example, of the 20 magazines with a circulation in excess of one million in 1926, only six are still in existence. Of the 30 or 40 magazines at present in the one-million-plus circulation category, many, including Life, Newsweek, Better Homes and Gardens and TV Guide, were not in existence in 1926.

The post-war experience in the United Kingdom has been one of similarly drastic upheaval and re-orientation, with a number of examples of publishers deliberately killing off a magazine because it was no longer serving its original purpose and replacing it with one more in tune with the times.¹

There have been no such realignments taking place among the major publications of the Canadian magazine industry.

¹ See Appendix H.
It is noteworthy that there are no direct Canadian editorial competitors to either *Time* or *Reader's Digest*. Since 1923 when *Time* was founded, the news magazine has become an established part of the United States publishing field. The Canadian market is probably too small for such a development.

Canadian magazines that have survived have done so mainly by reason of their owners possessing other sources of revenue, generally business paper operations with which to subsidize them.

**FOREIGN SITUATION**

Canada's magazine industry is not alone in its plight. In neither the United States nor Britain is magazine publishing free from worry. In all three countries, commercial television has become the great competitor.

### Advertising Expenditures in Selected Media
* (Canada and United States, 1950-59)

<table>
<thead>
<tr>
<th></th>
<th>Total Advertising Expenditures</th>
<th>Magazine Advertising Expenditures</th>
<th>Television Advertising Expenditures</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Index ($000) (1950=100)</td>
<td>Index ($000) (1950=100)</td>
<td>Index ($000) (1950=100)</td>
</tr>
<tr>
<td><strong>CANADA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>233,997</td>
<td>9,058</td>
<td></td>
</tr>
<tr>
<td>1951</td>
<td>262,318</td>
<td>10,188</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>292,282</td>
<td>10,947</td>
<td>518</td>
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<tr>
<td>1953</td>
<td>331,439</td>
<td>12,184</td>
<td>1,335</td>
</tr>
<tr>
<td>1954</td>
<td>363,397</td>
<td>14,280</td>
<td>8,596</td>
</tr>
<tr>
<td>1955</td>
<td>400,972</td>
<td>15,725</td>
<td>13,444</td>
</tr>
<tr>
<td>1956</td>
<td>452,003</td>
<td>17,940</td>
<td>20,549</td>
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<tr>
<td>1957</td>
<td>478,069</td>
<td>18,109</td>
<td>22,266</td>
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<tr>
<td>1958</td>
<td>503,891</td>
<td>17,798</td>
<td>27,396</td>
</tr>
<tr>
<td>1959</td>
<td></td>
<td>18,513</td>
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<tr>
<th></th>
<th>Total Advertising Expenditures</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Index ($000,000) (1950=100)</td>
<td>Index ($000,000) (1950=100)</td>
<td>Index ($000,000) (1950=100)</td>
</tr>
<tr>
<td><strong>UNITED STATES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>5,710</td>
<td>478</td>
<td>171</td>
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<tr>
<td>1951</td>
<td>6,426</td>
<td>536</td>
<td>332</td>
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<td>1952</td>
<td>7,156</td>
<td>575</td>
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<td>1953</td>
<td>7,809</td>
<td>626</td>
<td>606</td>
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<td>1954</td>
<td>8,164</td>
<td>629</td>
<td>804</td>
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<td>1955</td>
<td>9,194</td>
<td>690</td>
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</tr>
<tr>
<td>1956</td>
<td>9,905</td>
<td>758</td>
<td>1,207</td>
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<tr>
<td>1957</td>
<td>10,311</td>
<td>776</td>
<td>1,273</td>
</tr>
<tr>
<td>1958</td>
<td>10,302</td>
<td>734</td>
<td>1,354</td>
</tr>
<tr>
<td>1959</td>
<td>11,117</td>
<td>831</td>
<td>1,510</td>
</tr>
</tbody>
</table>

1 Magazine and television advertising estimates for Canada are “net”, excluding agency commissions, discounts and talent and production costs.
The vast coverage of television, together with its relatively low cost per impression, have compelled magazines to concentrate on obtaining higher circulations, to the detriment of all other considerations.

In Canada, magazine publishers also have been exposed to the pressure from Weekend/Perspectives which, while able to give advertisers a quality of colour reproduction almost up to the standard of glossy magazines, also offers them the largest audience at a lower cost-per-thousand than magazines can achieve.

French-Canadian Magazines

The pressures affecting French-Canadian magazines are similar to those that make life difficult for the English-language periodicals. Only the source of these pressures varies.

In the circulation field, French-Canadian magazines face strong competition from France, especially on the newsstands.

While there was some suggestion that the French magazine publishers were treating Canada as a dumping ground for the copies returned to them by their newsstand dealers, the Commission believes the inequitable competition is the same as for English-language magazines: The imported magazines have the advantage of editorial content underwritten by a large domestic market. And this editorial material is of a level which cannot be afforded or matched by the French-Canadian publisher.

There is not as much economic incentive for the French magazines to start any of the various forms of by-product publishing here, for there is, between France and French-Canada, little of the business integration that exists between the United States and Canada.

It is from other directions that the pressures on advertising revenue come. The Commission finds the most severe of these to be the combined, English-French advertising rate of Reader's Digest.

The Reader's Digest advertising rate card #14, which became effective January, 1960, offered advertisers a four-colour page advertisement in the English edition for $4,685, at a c/1000 of $5.51. A similar advertisement in the French edition cost $1,305 or a c/1000 of $6.54. An advertiser placing an advertisement simultaneously in both editions paid $5,075 (c/1000 of $4.83) or only $390 more than the cost of that advertisement in the English edition.

The French-Canadian magazine publishers claimed that advertisers were thus being given coverage of the French-Canadian market for only $390, a c/1000 of $1.95, and that if they tried to match this rate the revenue would barely pay for the ink and basic printing costs of the advertisement.
This combination rate is widely accepted among advertisers; in 1959 more than 88% of Reader's Digest's advertising revenue was obtained on this basis.

There is a sombre picture in the current position of French-Canadian magazines. Until October, 1960, there were three general-interest magazines in the field, La Revue Populaire, Le Samedi and La Revue Moderne. At that time La Revue Moderne ceased publication and became the basis of the first Maclean-Hunter incursion into the French-Canadian magazine field. Since then, Chatelaine-La Revue Moderne has been followed by Le Magazine Maclean.

The Commission has been assured that Canadian publications owned by Maclean-Hunter are not mere translations into French, but have their own editorial staffs, initiate their own editorial material and maintain complete editorial autonomy. But the last independent publisher of French-Canadian magazines, Poirier, Bessette et Compagnie, Limitée, has complained that these two magazines are backed by resources far in excess of what it could muster.

While the combined advertising rates for the English and French editions of Chatelaine and Maclean's do not offer discounts on the scale of Reader's Digest ($110 on a four-colour page in Chatelaine and $115 for Maclean's) they are nevertheless sufficient to make existence more difficult for La Revue Populaire and Le Samedi.

The representatives of the ethnic publications before the Commission asked little beyond recognition of their role in helping the assimilation of various ethnic groups into the Canadian culture, and concomitant consideration for government advertising.

But even they are not entirely free from the effects of by-product publishing. They told of full-page matrices of editorial material, edited and typeset in Europe and devoid of Canadian news, being flown to Canada and incorporated into Canadian ethnic publications.

This material reduced the printer's pre-press costs to less than $2 a page, whereas material edited and typeset in Canada costs up to $60 per page, just for typesetting.

The Commission was told of one Canadian ethnic weekly publication which is printed completely from these imported matrices and yet is sold to advertisers as a Canadian ethnic weekly.

This is a practice which the Commission regards as highly undesirable.
A large volume of advertising prepared primarily for an audience in the United States enters Canada in American periodicals. The effects of this advertising extend beyond the periodical publishing business but the Commission's terms of reference preclude taking these wider implications into account.

The Commission recognizes that overflow advertising causes some diversion of revenues from Canadian periodicals. Attempts to increase the use of such advertising to cover the Canadian market can be checked by removing the incentives for American magazines to expand their Canadian circulation. But in order to provide any substantial assistance for Canadian publishers, more direct reduction of the general run of overflow advertising would require action which, the Commission feels, when viewed in conjunction with the other measures, would be undesirable.

The Periodical Press Association contends that United States companies or their Canadian affiliates have tended to rely more and more heavily on this advertising for magazine coverage in Canada. The result, they allege, is that advertising expenditures, some of which would otherwise go to Canadian periodicals, are diverted back to the United States to pay for overflow or to other Canadian media.

Consumer magazines are used much less heavily for advertising in Canada than in the United States. In Canada, magazine advertising expenditures per capita are only 34 per cent of the United States per

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1 See Appendix G.
2 Using the Periodical Press Association method of calculation, the value of overflow periodical advertising would be $25 million in 1959. The method consists of taking the ratio of Canadian to total circulation of a foreign magazine and applying it to the gross advertising revenue of that magazine.
capita figure. Total Canadian per capita advertising expenditures are 68 per cent of total per capita advertising expenditures in the United States.

This preference for the use of the magazine medium in the United States shows up clearly in the advertising programmes of companies that operate in both countries. Contrary to what Canadian publishers have come to believe, however, the situation has remained remarkably stable in recent years.

### Total Consumer Print Media and General Magazine Advertising Expenditures of Companies\(^1\) Advertising in Both the United States and Canada, 1956 and 1959

<table>
<thead>
<tr>
<th>Millions of Dollars</th>
<th>1956</th>
<th>1959</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Canada</td>
<td>U.S.</td>
</tr>
<tr>
<td>Total print media expenditures</td>
<td>38.7</td>
<td>636.7</td>
</tr>
<tr>
<td>General magazine expenditures</td>
<td>7.4</td>
<td>284.2</td>
</tr>
<tr>
<td>Magazines as % (\times) of total print</td>
<td>19.2</td>
<td>44.6</td>
</tr>
</tbody>
</table>

Moreover, although overflow is used as part of the Canadian advertising programmes of American branch plants or subsidiaries, it is only one of the factors affecting media selection. The size of the advertising budget and the differences between Canadian and American media are important.

For magazine coverage in Canada, overflow advertising can be considered as only a "second best". After allowance for duplication of readers the Canadian circulation of a single or even several overflow magazines is not as broad as that reached by major Canadian periodicals. Apart from the language difference in French-speaking areas, however, there is little to prevent a particular unit of overflow advertising from affecting a Canadian audience.

The Periodical Press Association suggests that the value many companies attach to overflow periodical advertising is shown by the frequent references to it in merchandising programmes. There are many examples of such advertising tied in to Canadian media at both the trade and the consumer levels.

Advertisements in Canadian trade papers often stress that the products concerned are being advertised in various overflow periodicals. A typical case was provided by an American watch manufacturer's advertising in a Canadian business paper in the fall of 1960. This stated that between then and Christmas the product would be advertised in *Life, Look, Rod and Gun, Argosy, Field and Stream, Good Housekeeping, Ladies' Home Journal, McCall's, Parents' Magazine, Sports...*  

\(^1\) 1956—243 companies; 1959—324 companies.  
\(^\times\) Percentages based on unrounded expenditure figures.
*Afield* and *Time* as well as on a TV spectacular. The manufacturer claimed in the caption that "With this Lineup Everyone Sees . . . ." Similar examples appear frequently in such fields as jewellery, clothing, housewares, hardware, cosmetics and shelter goods.

Point-of-sale advertising material often directs attention to the fact that a product is advertised in such magazines as *Life* or *Good Housekeeping*. Examples exist in fields such as processed foods, clothing and many others. Some American magazines have offered point-of-sale display material free or at cost to advertisers but Canadian periodicals have only recently started this practice.

**'GROCERY' MAGAZINES**

A further example which points strongly to the potential dangers of overflow advertising at the retail level is the distribution through Canadian chain stores of the American "grocery" magazines, *Family Circle* and *Woman's Day*. This use of what amounts to a franchised distribution of housekeeping magazines in many of the chain stores in Canada ensures an extremely low degree of circulation duplication so that an advertiser using both magazines may obtain a wide coverage of the consumer market. There is very little Canadian advertising in these books but several retailers pointed out that they provide very useful sales aids when used with in-store displays and promotions of United States brands.

There are some cases where the effect of overflow on the Canadian audience is clear and undeniable. For example, organizations marketing books or records often include coupons or reply cards with Canadian addresses along with advertising overflowing into Canada. Canadian response to some of these campaigns has been substantial.

These various uses of overflow may encourage some United States companies to charge their affiliates in Canada for the service. The practice of charging varies greatly among companies, however, and just how general it is can only be guessed. But whatever the practices are in this connection, so far as can be determined at present overflow is not the dominant factor in media selection by Canadian subsidiaries.

**SMALL ADVERTISERS' BIAS**

Although the majority of companies advertising in both countries show a greater preference for magazines in the United States than Canada, the bias in this respect is more pronounced for small advertisers. Their print expenditures are almost entirely in magazines or entirely out of them and the latter behaviour predominates. Frequently these

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1 Point-of-sale or dealer-help materials include such things as counter and window displays, signs and folders in retail stores.
companies, many of which are in the early stages of developing a market in Canada, cannot afford the long-haul building of brand-name impact and prestige to which magazines lend themselves. They derive what benefit they can from the incomplete coverage of the market by their parent companies' overflow advertising and concentrate in Canada on the "hard-sell" media, mainly newspapers, radio or television.

Within the various Canadian advertising budget ranges, whether high or low, increases or decreases in the amount of overflow available generally have no apparent effect on the use of Canadian magazines. However, as Canadian budgets increase most companies tend to advertise in more media including magazines. Some bias against Canadian magazines remains but in many cases much of it can be explained by the differences between the various media in the two countries.

Canadian adults read only about two-thirds as many magazines as Americans. Moreover, United States advertisers have to depend more on magazines to get national coverage in print media than do Canadians. In Canada, national coverage is obtained with 100 daily newspapers. The United States advertisers would have to use most of their country's 1,750 newspapers. Canadian weekend newspaper supplements are also more attractive to the big advertiser than their American counterparts because of their national coverage.

MEDIA PATTERNS BY PRODUCT GROUPS

These differences are reflected in the media patterns of major advertisers. The large automobile companies favour newspapers over magazines in the United States and this preference is much more pronounced in Canada. Electrical appliance manufacturers allocate a larger proportion of their print expenditures to magazines in both countries than do the automobile companies but they use both daily newspapers and weekends more in Canada than they do in the United States. In both of these cases the newspaper advertising provides both national coverage and assistance to local dealers. Food processors and soap manufacturers want colour and low-cost mass coverage. Both use newspapers and magazines less in their Canadian advertising and concentrate much more on weekends than they do in the United States.

Canadian magazines clearly would be in a better position if there were no overflow advertising. In the few cases, like those of the book and record clubs, where its effects are clear-cut, direct action to reduce it seems to be warranted. Since other factors bear heavily on the media selection of most companies, however, direct measures to affect the broad run of overflow advertising would, as has been been already said,
A.B.C. MAGAZINES SOLD PER 100 ADULTS(1) IN CANADA AND THE UNITED STATES, 1950, 1955 AND 1959

CIRCULATION IN THE UNITED STATES

CIRCULATION IN CANADA

TIME
READER'S DIGEST
CANADIAN A.B.C. MAGAZINES
U.S. A.B.C. MAGAZINES
U.S. A.B.C. MAGAZINES

1950 1955 1959

(1) AN ADULT IS DEFINED AS A PERSON 15 YEARS OF AGE OR OVER

SOURCE: TABLES 4 AND 8
have to be very drastic if they were to provide any substantial assistance to the publishers. Such action would also interfere with reader preference.

On the other hand, many American companies are at present paying the United States publishers for Canadian circulation whether they want it or not. To avoid this and to attract more advertisers with a specific interest in the Canadian market, American publishers with sufficient circulation in this country may resort to split runs or regional editions. Prevention of these practices should reduce the incentive to expand overflow circulation and in turn impede any tendency for companies to increase their reliance on overflow advertising.

Canadian business papers have been protected from foreign intrusion up to the present. Unlike the consumer magazines, the overflow circulation of business papers is small by comparison with the total circulation of Canadian periodicals. With a few notable exceptions overflow advertising has so far presented no great problem.

Overflow advertising is a potential threat to business papers. The use of controlled circulation and the small coverage required for domination in a particular field carry dangers as well as advantages. Moreover, there has been an expansion of the proportion of the Canadian business papers' advertising revenue that is controlled, directly or indirectly, from outside Canada, and that is vulnerable to the effects of overflow competition.

One witness said that his publications derive approximately 27 percent of their advertising revenues directly from American advertisers who sell their products in the Canadian market. They also receive revenue indirectly from the Canadian distributors of United States manufacturers. Together these sources may provide as high as 40 percent of Canadian business papers' total advertising revenue.

Another witness suggested that United States business papers have set out to prove to their domestic advertisers that they also provide effective coverage of the Canadian market. Therefore "why not cut out the appropriation set aside for Canadian business papers, concentrate more on advertising in our publication and serve the two-fold purpose of more internal United States impact, through more or larger advertising, and, free of all additional charge, cover all the important buying influences in the Canadian market?"

INSUFFICIENT EVIDENCE AVAILABLE

The Business Newspapers Association has suggested that reliance on overflow was, in its field as in the consumer area, causing increased diversion of advertising revenue. Present statistical information per-
mits neither confirmation nor denial of this claim. Business paper advertising expenditures have been audited on a company basis in Canada only since the second half of 1959 so, as yet, it is impossible to establish any trend. The available information does not point to the presence in this area of anything like the general bias that exists in the use of Canadian and United States consumer magazines.

Companies relying heavily or entirely on overflow advertising have been reported in such diverse fields as plastics and chemicals, machinery and machine tools, fabricated metals, petroleum, aircraft, fire-fighting equipment, marine equipment, shelter materials, writing and dictating equipment, engineering, and the "beauty" industry. In many cases these companies had relatively small advertising budgets or only a small proportion of their total sales in Canada. The rather large number of examples in the machinery area may reflect the fact that this sector has been one of the weaker areas of the economy for several years.

Engineering, petroleum and beauty publications may lack some of the natural protection existing in other areas of business publishing. American engineering publications can supply advanced technical information that their smaller Canadian competitors cannot always afford. Much of the petroleum industry was established by Americans who look naturally to their own publications. In the beauty field conditions in the Canadian and American trade are much the same and the primary suppliers in the industry are largely American-controlled firms.

The most disturbing feature of overflow competition is the tendency for more advertisers, particularly those interested in industrial magazines, to pick a "key-book", one which is read by the relatively small number of men who control a large part of the purchasing in a particular industry, and to supplement its limited but important coverage by direct mail. With the advertising agencies taking a greater interest in the possibilities of direct mail, this approach could expand rapidly, particularly if it were reinforced by the franchise system.
While business papers have much in common with magazines, there are some important differences in their mode of operation:

(a) Their audiences are different. Business papers are smaller, more specialized. Where magazines seek hundreds of thousands, even millions of readers, business papers can be profitable with 10,000 and even 5,000 readers.

(b) The methods they use to obtain those audiences are different. With few exceptions, Canadian business papers operate the controlled circulation system, i.e., they cover an entire industry or segment of business by sending copies to all the desirable people within it, regardless of whether these people have asked for copies or are willing to pay for them.

(c) They can identify themselves more closely with the interests and concerns of their closely-knit groups of readers than can the more widely projected general magazines.

These three dissimilarities are of importance in any measurement of the extent to which the external pressures affecting consumer magazines also affect business papers. Each has an important bearing upon the level of resistance which business papers can muster in the face of these pressures.

**SMALLER CIRCULATIONS**

By comparison with consumer magazines, each circulation unit in a business paper is of much greater value in the eyes of the potential advertiser. A purchasing agent or plant manager often controls the placing of orders for thousands of dollars’ worth of products, by comparison with the lower purchasing power of the individual housewife.

It is possible for a foreign business paper to achieve a dominating position in its particular field in Canada with only 2,000 or 3,000 circulation, especially in some sectors where the number of key positions within an industry is relatively small.
CONTROLLED CIRCULATIONS

Controlled circulation has become an integral part of business paper publishing in Canada. While approximately 20 per cent of business paper circulation in the United States is of a regular paid subscription nature, the percentage is much lower in Canada. In fact, there are only a few business papers in this country with a sufficiently large paid circulation to qualify them for membership in the Audit Bureau of Circulations. In their representations, Canadian business paper publishers have emphasized the merits of the controlled circulation system. They point out that it enables them to provide, right from the outset, complete industry coverage for the advertiser, whereas they consider a publication, operating on paid subscriptions, would be fortunate if it achieved 50 per cent coverage within five years.

They say that controlled circulation is not just a free, give-away system; the accent is on "controlled" in that only those people connected with the field covered by the particular business paper are allowed to receive the publication.

The publishers also maintain that the paid subscription system would involve them in inordinately heavy procurement costs, seeing that their potential subscribers are spread thinly over the whole population, making it difficult, if not impossible, to reach them through a field sales force. These business or trade papers are not an economic proposition for distributor, wholesaler or newsstand dealer.

But controlled circulation, by its very nature, makes the business paper field in Canada vulnerable to any foreign publisher who buys a mailing list of the people he wants to reach. For this reason, it is easy to understand why Canadian business paper publishers are apprehensive of possible incursions of United States publishers.

NATIONAL CIRCULATIONS

Readers of any specific business paper usually have a common vocational interest, whether they be supermarket managers, package designers or architects. Often distributed from coast to coast, they come to look upon their business paper as an important link with other members of their trade or profession.

Canadian business papers perform a function that cannot be performed satisfactorily by foreign business papers. This is their strength. Business paper publishing in Canada is currently profitable. The number of publications1 has grown enormously in the past decade, rising from 321 titles in 1950 to 398 in 1959. Circulations and advertising revenues have also shown substantial increases over the same period; annual circulation rose from 23,040,000 in 1950 to 43,235,000 in 1959 while net advertising revenue climbed from $9,704,000 in 1950 to $25,183,000 in 1959.2

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1 Those listing sworn circulation statements in Canadian Advertising.
2 See Tables 13 and 18, Appendix K.
The profits obtained by business paper publishers are much higher proportionately, than those of consumer magazine publishers (assuming the latter make any profit at all). There are examples of some Canadian business papers which, in 1959, made a profit before income taxes of up to 40 per cent of revenue. A cost survey for the same year, encompassing 79 business papers, set their average profit, before income taxes, at 12.7 per cent.

A major contributing factor to this healthy profit situation is the avoidance of heavy circulation procurement costs.

The present trend within the industry is for the publisher to turn to an outside commercial printer for the production of his publication, rather than get involved in the capital expenditure involved in doing his own printing. This, coupled with the ready availability of "circulation" via the controlled system, makes it relatively easy for a newcomer to the industry to start with little capital.

While a few business papers have died in recent years, many more have been born. There is a danger that there may be too many business papers in some fields. United States publications can specialize to a greater extent than can Canadian business papers. For example, in Canada there are only three business papers specifically serving the metalworking industry while there are 59 in the United States. The Canadians are:

- Canadian Machinery and Metalworking
- Canadian Metalworking
- Machine Production and Canadian Supply

Among the United States business papers are:

- Assembly and Fastener Engineering
- Carbide Engineering
- Die Casting Engineer
- Grinding and Finishing
- Modern Castings
- National Ornamental Iron Fabricator
- Plating
- Tooling and Gaging

COMPETITION FROM OTHER MEDIA

While consumer magazines face their strongest competition from television, overflow circulation, weekend newspapers, and 'Canadian' editions (probably in that order), business papers are most affected by direct mail (which is actually a controlled-circulation type of distribution of advertising without editorial content), Time magazine, overflow circulation of United States business papers and a specialized form of 'Canadian' edition to which we shall refer in detail later. They are
affected to a lesser, but increasing extent, by company publications (house organs)—those publications of varying standard and quality, issued by the individual company and mailed to its customers and prospects (direct mail plus editorial matter).

There is also much stronger competition within the medium than exists among consumer magazines where there is some stratification of audience.

The rivalry among business papers flows from the existence of “horizontal” as well as “vertical” publications. The extreme of the former is the Financial Post which directs its editorial and advertising at virtually every segment of our industrial and commercial life. There are few Canadian business papers that do not consider it a rival for advertising revenue.

The business papers that seek to serve purchasing agents have almost as broad a sphere of influence—most industrial companies of any size have a purchasing agent who is responsible for placing orders for raw materials, machinery and even such miscellaneous items as paper towels and typewriter ribbons.

Business papers have attracted a growing share of the advertising dollars available in Canada. In the period 1950 to 1958, their revenues increased by 141% compared to an increase of 115.3% in overall advertising expenditures. In the same period, their share of revenues attracted by periodicals of all types increased from 7.6% to 9.0%, but they are not faring so well by comparison with their competitors. For example, in that 1950-1958 period, Time’s Canadian advertising revenues rose by 207.7%.

It is not possible to estimate the increase in value of overflow advertising from United States business publications for the period but it is significant that the circulation of United States business papers into Canada has been rising. The competitive effect of direct mail in the industrial field is virtually impossible to measure. Neither can it be determined accurately whether the growth in direct mail has been greater in the industrial or consumer field.

ALLEGATIONS OF INEQUITABLE COMPETITION

United States business papers’ annual circulation in Canada has increased substantially in the past decade, from 1,322,000 in 1950 to 5,411,000 in 1959. Members of the Business Newspapers Association told of a number of United States business papers accepting Canadian advertising either for split runs or Canadian sections.

One witness directed attention to the publication Industrial Property, which carried on its masthead “Published in the interests of U.S. and
Canadian Industry". It contained a 'Canadian' section, although it was suggested the only thing Canadian about it was the advertisements it carried.

BY-PRODUCT PUBLISHING IN BUSINESS PAPERS

Neither split runs nor regional editions represent an immediate danger for business paper publishers. Canadian publishers argued that their contribution to Canada's economic advancement could not be replaced by foreign business papers. This contention seemed to be inconsistent with their expressed fear of serious competition of 'Canadian' editions, even if these 'Canadian' editions were to include a section devoted to the Canadian scene and indigenous Canadian problems. But there are dangers that 'Canadian' editions, or specialized evolutions of this form of by-product publishing, will injure Canadian business papers.

Cost studies for business papers both in Canada and the United States, have shown that it is possible for the larger United States publications, through economies resulting from the re-use of editorial content, to set up a 'Canadian' edition operation which, despite its smaller scale, will provide at least as high a profit ratio as the publisher enjoys on his domestic operation.

![INDEX OF NET ADVERTISING REVENUE OF SELECTED CANADIAN PRINT MEDIA, 1950-1959](source: table 18)
Within the business paper field in Canada, there are two deviations from the external pressures affecting consumer magazines, one evolving from the 'Canadian' edition and the other a refinement of overflow circulation.

The first might be called the "Seccombe House technique", after the company practising it so successfully in Canada. This company came to an arrangement in 1945, with the publishers of the United States business paper, *Modern Medicine*, whereby Seccombe House would publish, in equal partnership with them, a Canadian version of *Modern Medicine*. Seccombe controls and manages it and its editors select the contents to be drawn from the United States issue. The Canadian component also has secured rights to start, manage and own 50% of other versions of *Modern Medicine* within the British Commonwealth, and publications have started along these lines in Great Britain and Australia.

In 1954, Seccombe House entered into a similar arrangement with the publisher of the United States business paper, *The Office*, thereby setting up *Canadian Office*.

The whole operation is controlled by a Canadian publisher with an intimate knowledge of the Canadian business paper scene.

The "distribution-franchise system", a refinement of overflow circulation with a dash of the split run, is the second deviation. It is already established in Canada, with at least seven United States business papers operating it here. A Canadian distributor or importer contracts with the United States business paper publisher to purchase a set number of copies at a volume price and to mail these to his customers or prospects. In return, the distributor is given a free advertisement on the publication's cover together with an imprint bearing his name, to the effect that "This publication is sent to you with the compliments of..."

The advantages are three-fold: The distributor receives an advertisement at a relatively low cost; the publisher is assured of a first-rate mailing list that is kept up to date via the distributor's sales force, and he also knows the distributor will try to persuade his United States principals to place their advertising in the publication that is going to all his customers and prospects.

If inequitable competition is to assume dangerous proportions in the business paper field, it may develop most strongly via these techniques.

There is little, if any, doubt that but for the profitable existence of business papers, there would be no Canadian general consumer magazines today. Almost without exception, they have been heavily subsidized from the business paper profits of their publishers. Even where they have managed to break even over the years (as has been the case with *Maclean's*) this has been achieved only through the pouring
in of money at a rate made possible by the existence of a substantial flow of profits from the business paper operation.

PRESENT POSITION

In 1950 there were 47 farm publications reporting circulation listed in Canadian Advertising, including 12 with newspaper format. In 1955 there were 52 (12 with newspaper format), and in 1959 there were 53 (11 with newspaper format).

Farm papers' share of total print media advertising revenues declined in the last decade.

<table>
<thead>
<tr>
<th>Year</th>
<th>Magazines</th>
<th>Business Papers</th>
<th>Farm Publications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>7.1</td>
<td>7.6</td>
<td>4.2</td>
</tr>
<tr>
<td>1959</td>
<td>6.5</td>
<td>8.9</td>
<td>2.4</td>
</tr>
</tbody>
</table>

In the main, farm papers are faced with more fundamental problems than those of foreign competition in its various forms. Their very raisons d'être are threatened by the decline in rural population and the urbanization of those who remain—due largely to the impact of TV, radio and other media. The tastes, habits and desires of the rural
family are coming more and more into line with those of the urban family and the communications media are becoming common to both. Furthermore, with the increasing ease of travel, there is a growing shift in the shopping habits of the rural family. They are gravitating more and more toward the city, even for their weekly food requirements.

A result of this is the decline in the importance of the farm paper as a vehicle of communication between the advertiser and the farm household, as distinct from that between the advertiser and the farm operator.

The managing director of the Public Press Ltd., publishers of *Country Guide*, told of some classes of consumer and household goods not extensively advertised in the farm press, notably apparel, confectionery and soft drinks, food and food products, home furnishings, travel and hotels, among others. These advertisers consider they get adequate coverage of the farm consumer market via television and other periodicals.

In the ten-year period, 1950 to 1959, farm papers' share of print media advertising revenues declined from 4.2% to 2.4%.

The ultimate result of this trend will be a retreat by the farm paper to a less ambitious role as “the farmer's business paper”. This may involve the disappearance of some publications (although this may be delayed for some time, due to the artificial support of certain farm papers by growers' co-operatives, etc.) and a severe reduction in the circulation of others.

The farm press has intimated it at present is not greatly concerned about the incursion of the specialized United States farm publication into Canada; in fact it is less concerned about this than the competition for the farm family's subscription dollar and reading time from general consumer magazines of both United States and Canadian origin. Such farm papers as survive may be concerned mostly with the Canadian agricultural experience, and this is a field not easily covered by foreign publications.
No report on Canada's periodical press would be complete without a word on scholarly and cultural journals, and what is known as the "little" magazine.

We have in Canada no equivalents of British journals of opinion such as the New Statesman and the Spectator, nor of a publication of the literary excellence of Encounter. Nor have we anything yet to put beside those admirable American prints, The Atlantic, Harper's, or The New Yorker.

Whether these come to us in time, we cannot be sure; indeed, it is worth noting that some of the famous British periodicals of the past, those which knew giants like Macaulay, Acton, and Morley, have in recent years declined.

THE 'LITTLE' MAGAZINE

What Canada does possess, however, in addition to a number of first-rate technical and scientific journals, is what is perhaps called loosely the "little" magazine, a publication giving encouragement to young writers, while struggling to keep alive what somebody has called the "guttered and flickering candle of idealism". Published by small groups of ambitious writers, and often written brilliantly, these small magazines, with their high rate of mortality, attract few readers and fewer advertisers, yet have their place in the cultural life—and hopes—of the country.

"Little" magazines and what are known broadly as "cultural" publications are not always the same thing. The first are devoted mainly to social and literary criticism, but also include original poetry and fiction; the second take in academic and scholarly journals, reviews of literature and the arts, and "quarterlies" which cover a number of fields.
Of the place among us of the journals of opinion, no matter how obscure, this may be said: While their voices may sometimes seem rash and irreverent, they are of our proud privilege of dissent, a right which we set confidently beside the totalitarian way. To know the story of freedom is to feel their need, especially if we remember how succeeding generations often build monuments to the prophets their forefathers stoned.

**CULTURAL PUBLICATIONS**

Among the cultural publications, the academic journals devote themselves to the scholarly examination of a particular discipline; the *Canadian Journal of Economics and Political Science*, the *Canadian Historical Review*, and the *Canadian Journal of Mathematics* are examples. The scholarly publications, almost always written by professors for professors, have in some instances won international acclaim; the *Canadian Bar Review*, to give one example, is acknowledged to be one of the great law journals of the world.

The importance attached to these scholarly, technical, and general cultural journals by other nations, and the place they occupy in civilized societies, is shown by submissions made to the Commission. The University of Toronto library receives 9,500 such periodicals; McGill University library 5,100; the University of British Columbia 5,000; and the University of Ottawa 2,100.

This Commission is firmly of the belief that the free flow into Canada of such publications must continue.

**ARTISTIC AND LITERARY PUBLICATIONS**

Artistic and literary periodicals are broader in scope and appeal. *Vie des Arts* and *Canadian Art*, both beautifully produced by any standards, keep abreast of Canadian developments in painting, sculpture, and architecture. *Tamarack Review* is an example of a little magazine which somehow has made its way; now nationally known in the cultural scene, it combines literary criticism with articles of a more general nature and prints original poetry and short stories. *Canadian Literature*, published at the University of British Columbia, is devoted entirely, and with distinction, to literary criticism and reviews. The *Canadian Geographical Journal*, which seeks to do for Canada what the *National Geographic* does for the United States, is, despite limitations imposed upon it by a smaller audience, a publication of merit. It is published by the Royal Canadian Geographical Society.

Quarterly reviews, unlike the academic journal, are not confined to a particular field, but do retain the academic approach and university atmosphere. Among the best-known are the *University of Toronto
Quarterly, Revue de l'Université Laval, Dalhousie Review, and Queen's Quarterly. The latter, of late, has become faintly popular; like some of the artistic and literary periodicals, it may be seen on the better newsstands.

THE UNIVERSITY PRESS

The role of the University of Toronto Press in the publication of academic journals is important. At present, seven scholarly journals\(^1\) are subsidized by it. The programme of subsidization of both books and periodicals is financed by the other publishing and related operations of the Press; the parent institution, the University of Toronto, provides no direct assistance. The current programme of the Press has brought it to sixth place among 51 members of the Association of American University Presses. The only other university press in Canada is the McGill University Press, which began operations on July 1, 1960. As well as the publication of scholarly books (seven titles are in preparation at present) the McGill Press plans to issue academic journals. Under the terms of a recently-concluded agreement, it is the Canadian agent for the Yale University Press, an arrangement similar to that between the Presses of the University of Chicago and the University of Toronto. In addition to revenues from publishing operations, the McGill Press now receives a grant voted for a five-year period by the University.

JOURNALS OF CREATIVE WRITING

The journals of creative writing—for example, Duo, Delta, Alphabet, Fiddlehead, and Prism—provide an opportunity for the young writer of promise who has not yet produced a book-length manuscript or collection of verse. Their story is one of defeat and return to the field, of a denial to them of costly circulation promotion and newsstand sales, of dependence for their readership on word-of-mouth "advertisements". Illustrative of their trials is the recent disappearance of the Waterloo Review, whose deserved national recognition was unfortunately not accompanied by national support in either circulation and advertising, and which is now succeeded by Alphabet, described somewhat fearfully as "a Semiannual Devoted to the Iconography of the Imagination". It may bring hope to some that the first print of Alphabet, put out by Professor James Reaney (it was handset by himself) was oversubscribed.

\(^1\) The Canadian Historical Review, the Canadian Journal of Economics and Political Science, the Canadian Journal of Psychology, the University of Toronto Quarterly, The Phoenix, and the Canadian Journal of Mathematics, all of which appear quarterly, and the annual University of Toronto Law Journal.
Another "little" magazine handset by its editor is *Delta*; Professor Louis Dudek of McGill, one of Canada's contemporary poets, sets the type and issues the magazine four times a year. *Prism*, a relatively recent arrival, is produced by a number of the younger writers on the west coast. *Fiddlehead* is published in Fredericton, which advertises itself as Canada's "poets' corner". There probably are others.

French Canada produces its share of "little" and cultural magazines. Representative of the former is *Liberté*, which publishes poetry and literary criticism. *Situation* is another outlet for younger French-speaking writers. Coverage of many aspects of French-Canadian life may be found in the pages of *Actualités*. The traditional place of religious publications in Quebec is recalled by *Relations*, with its proud history, and by *Revue Dominicaine*, which also maintains the highest ideals.

*Vie des Arts*, as has been mentioned, is devoted to painting, sculpture, and architecture. Both the content and the physical production of this magazine are comparable with the finest art publications in the world. Among the scholarly publications is *Revue d'Histoire de l'Amérique Française*, whose existence is indicative of French Canada's abiding sense of, and interest in, its history and traditions. *Culture*, a quarterly, is published by l'Association de Recherches sur les Sciences Religieuses et Profanes. As well as reviews, this journal provides a partial cataloguing service for 75 French-language periodicals, the majority of which are published in Canada.

To sum up, all these "little" magazines, cultural publications, and literary and scholarly journals, are a part of our national heritage, reflecting something else than our concern with the marketplace, keeping alive among us the deeper, sweeter and more spiritual things of life.

In the opinion of the Commission, their encouragement and preservation cannot be put aside.
The chief concern of this Report thus far has been the very proper examination of the economic aspects of periodical publishing in Canada; it was the allegation of inequitable competition to which the Commission's special, but not exclusive, attention was directed. The terms of reference, however, also point clearly to the implications of the social role of publishing; the Commission, as well, was instructed to consider "... possible measures which ... would contribute to the further development of a Canadian identity through a genuinely Canadian periodical press."

"CULTURE"

The word "culture", like Lear, is "more sinn'd against than sinning." The phrase "Canadian culture" has unfortunately given rise to muddled thinking and pseudo-intellectualism; it has been so abused, and has come to mean so little, that this Commission has preferred to shun it, and to speak instead of "the Canadian experience" or "Canada's national identity".

"THE CANADIAN EXPERIENCE"

"The Canadian experience" is that group of attitudes, traditions, values, and processes of government and society, which make Canadians distinguishable from other peoples. Our heritage of French and English civilizations side-by-side; our allegiance to the Queen; our Commonwealth ties; our participation in the North American economy; and our North American orientation in the social milieu—all contribute to our consciousness of being Canadians. All the tangibles and intangibles which tend to unify us despite our youth, our sparse and widespread population, and our lack of ethnic homogeneity, help to enrich this experience and to develop a national identity. The result is the ever-growing unification of our nation. National unity has been our chief
task since Sir John A. Macdonald went about the business of building, from bickering and scattered colonies, a great transcontinental nation. Sir Wilfrid Laurier continued it when he strove to bring French and English closer together under a common Crown. Both major political parties have worked toward it for over fifty years, even though differing from time to time on questions of ways and means.

PERIODICALS AND NATION-BUILDING

The role of the periodical press in building this Canadian unity cannot be ignored. But it cannot contribute its share if it is beset by overwhelming competitive conditions that threaten its existence.

PUBLISHER AND WRITER

Publishing is the fulcrum on which the relationship between writer and reader is balanced; as such, it has responsibilities to both. Its chief responsibility to the writer is the provision of an outlet for his ideas. The publisher can also offer advice and encouragement. Yet neither of these obligations can be fulfilled if the publisher is economically oppressed.

It is generally true that most short stories, critical articles, and poems with any literary merit at all can get published in Canada today—almost always in a “little” magazine or review. In this area, however, the money reward is almost non-existent.

On the other hand, stories and articles intended for consumer magazines do not fare as well. The contracting magazine field has reduced drastically the outlets for “slick” or “formula” fiction. Chatelaine is the only major fiction market left. Professional fiction-writers must look to the United States for a market, or a large part of it. Moreover, there has been a trend away from the use of fiction in several magazines, notably Maclean’s.

For the article-writer, too, fewer magazines in Canada mean fewer Canadian markets. Another disadvantage applies particularly to the freelance article-writer: a large number of articles are now staff-written. This is done not merely to save on cost, but because editorial direction is less difficult. The freelance article is more likely to be written by an authority in a particular field, or by an established freelance writer.

Many, if not all, of the difficulties might be alleviated if magazine-publishing were in a healthier state. As it is now, a professional freelance writer cannot live on the proceeds of writing only for Canadian periodicals. This problem touches other fields too; for instance, book publishers told the Commission that they consider periodicals a training-ground for writers of books. If our periodicals disappear, book-writing, too, will suffer.
The addition of cash grants to the Governor-General's Awards was a step forward. But inducements to the young writer for periodicals are still all too few. The Ryerson Press offers $1,000 for the best work of fiction or non-fiction by a young writer—but this is for a full-length work. Periodical writers once had Maclean-Hunter awards to compete for, but these have been discontinued.

Whether offered by a public agency (such as the Canada Council) or private publishing houses, grants and awards are a stimulant to good writing. To assuage the fears of those who envision indiscriminate handouts, the “when merited” provision, backed up by competent selection, is a safeguard.

In addition to its responsibilities toward writers, the periodical press also provides outlets for the work of painters and photographers, both largely dependent on a strong publishing industry.

COPYRIGHT

The so-called “manufacturing clause” in the United States copyright law is another difficulty for Canadian printers and publishers. Under the terms of this clause, a book, periodical, or newspaper must be printed in the United States to enjoy full copyright protection there. Copies printed outside the United States are granted only “ad interim” copyright protection for a period of five years from first publication—and this only on condition that not more than 1,500 copies are imported. If a work under “ad interim” protection is not printed in the United States within the five years, copyright protection ceases.

The situation could be rectified immediately if Canada would ratify the Universal Copyright Convention, of which the United States is a member—and, indeed, to an extent the sponsoring nation. (Canada is a signatory to the Convention, but not a member, because she has not ratified). Immediate ratification would free Canadian authors, printers, and publishers from the requirement to print in the United States within the five-year period, and would also permit them to export over 1,500 copies. Moreover, they would also be relieved of certain other requirements respecting United States registration and notice.

INDEXING

The ready access to information in periodicals is essential for students, teachers, scholars, researchers, reporters, librarians, bibliographers, and scientists. This access is achieved through a system of indexing by author and subject. Compared with what they ought to be, Canada’s facilities are, at present, primitive.

The Canadian Library Association told the Commission that, of the more than 800 periodicals published in Canada, only 70 are now
covered by the *Canadian Index to Periodicals and Documentary Films*, and 36 by the Toronto Public Library's *Canadian Business and Technical Index*. In addition, 82 Canadian periodicals are covered by American indexing services. At least an additional 256 titles should be covered.

The *Canadian Index to Periodicals and Documentary Films* is published by the Canadian Library Association, and is supported by subscriptions and grants from the National Library and the Canada Council. If, however, it is to hold its own—to say nothing of expanding—additional funds must be made available to it. The *Canadian Business and Technical Index*, subsidized with staff time by the Toronto Public Library, also requires assistance.

In the United States, the H. W. Wilson Company publishes 14 separate periodical indexes. The *Reader's Guide to Periodical Literature* alone includes 139 titles.

A wealth of historical, literary, and social material is now buried in unindexed back files of nineteenth and early twentieth century Canadian periodicals. Until it is indexed, its value to historians and scholars is greatly decreased. Periodical indexing in Canada began in 1930, was haphazard until 1948, and is still incomplete. By contrast, there are, in the United States, indexes covering the years from 1802 to the present.

At least 80 French-language periodicals should also be indexed; at present, *Culture*, while primarily a quarterly review, provides a partial cataloguing and content-classification service for 75 titles, 43 of which are published in French Canada. The Canadian Association of French-language Librarians also pointed to the need for a Canadian *Union List of Serials*.

Aid to the indexing of both historical and contemporary periodicals would bring results in terms of scholarship and new research worth incalculably more than the initial outlay.

**PUBLISHER AND READER**

In addition to his responsibilities to the writer, the Canadian publisher also has duties to the Canadian public. Periodicals educate, inform, entertain, and amuse. They provide the forum for debate and discussion which is essential to the democratic process.

Ideally, periodical publishing in Canada should be Canadian, competitive, and healthy—Canadian, because of the desirability of information written by Canadians to Canadians; competitive, because no one has a monopoly on truth or wisdom, and monopolistic or oligopolistic tendencies inhibit unfettered decision-making and debate; and healthy,
because general well-being of the industry is valuable both in itself and as a climate in which new publishing ventures would have a chance to survive.

If Canadians have the right to read about international affairs in terms they understand, it would follow that people in other countries should be given a chance to see Canada through Canadian eyes. It is indeed a sorry state of affairs which permits *Time* magazine to say of its ‘Canadian’ edition that “. . . no other journal provides as much information about Canada to as many readers throughout the world.” ¹ Whether or not this statement is accepted as true, its very utterance before this Commission strengthens the view that Canadian magazines should be encouraged to circulate abroad, especially in the absence of an organized Canadian information service. Canadian consumer periodicals could help the national interest by offering foreign subscriptions at domestic rates, and thus demonstrate that they recognize that their responsibilities do not end at Canada’s borders.

**SUMMARY**

The cultural implications of periodical publishing in Canada begin with the responsibilities of publishers to writers and readers, include the questions of copyright and indexing, and embrace such broad subjects as the reporting of a Canadian viewpoint of foreign news, and the projection of Canada’s national identity abroad. Many of the specific problems raised depend for their solutions on the economic health of the industry. Those that do not are, nevertheless, directly related to our inquiry under our terms of reference. All affect, in one way or another, the ability of our periodical press to add to “the richness and variety of Canadian life”; all must be considered if “the culture and unity of Canada” are to be preserved and extended.

¹ Italics *Time’s.*
III

THE RECOMMENDATIONS
The Commission was charged “to make recommendations to the government as to possible measures which, while consistent with the maintenance of the freedom of the press, would contribute to the further development of a Canadian identity through a genuinely Canadian periodical press.”

The Commission concluded that a genuinely Canadian periodical press can only exist by assuring for Canadian publications, under equitable conditions, a fair share of domestic advertising.

The Commission, in applying its conclusions, defines a ‘Canadian’ periodical and makes two main recommendations:

(1) That the deduction from income by a taxpayer of expenditures incurred for advertising directed at the Canadian market in a foreign periodical wherever printed be disallowed; and

(2) That the entry into Canada from abroad of a periodical containing Canadian domestic advertising be excluded under Schedule ‘C’ of the Customs Act.

These recommendations and others also of importance are detailed and explained in the following pages.
It is clear that Canadian periodicals are denied competition on an equitable basis with foreign publications, publishing so-called 'Canadian' editions.

This Commission's aim was to establish a principle which would secure to Canadian periodicals a basis of support that would be just, effective and permanent.

DOMESTIC ADVERTISING

The Commission regards as 'domestic' advertising that which is directed to consumers in Canada. This advertising is the life-blood of periodical publishing. A periodical may have a competent management, and editorial distinction; but without advertising income to meet publication costs, such merit will become only a memory.

If we hold that a periodical press is essential to the Canadian nation, no more to be produced for us by outsiders than our statute books, then we face an inescapable choice: either our periodical press must have preserved for it enough Canadian advertising to ensure its existence, or it must be subsidized by the State.

The Commission could find no one in favour of state subsidy; it was rejected by all, including the periodical press itself, as alien to our political and economic way of life.

RESPONSIBILITY OF THE ADVERTISER

Throughout the hearings, every imaginable virtue was attributed to advertising to support a claim that as an institution it was all but sacrosanct, untouchable.

The Commission was not concerned with such claims. What is of concern is this: whether Canadians, needing their
own communications, should not accept the responsibility of supporting their own media, not the media of some foreign country.

The answer of the Commission is that such an obligation does in fact exist.

The Commission concludes:

That a nation's domestic advertising expenditures should be devoted to the support of its own media of communications.

Responsibility of the Publisher

The right of Canadians to their own media of communication implies that they should not be served with merely a rehash of editorial matter cheaply obtained from abroad for re-use in this country. There can be no excuse for the re-publication in Canada of periodicals which are not much more than facsimiles of those abroad. Here is something which, whatever may be said of its ethics, does not benefit the public.

The fulfillment of the true role of communications places clear responsibilities on a publisher. A foreign periodical may inform Canadians on happenings and issues abroad. But while these may also be a proper concern for the Canadian periodical, such a periodical must provide—indeed, can alone provide—a forum for Canadian affairs and Canadian points of view.

The Commission concludes:

That a nation's communications media must be aware of their responsibilities and that such media should not be used merely for the re-publication of editorial matter to support an advertising structure.

Necessity for Government Action

The Commission is convinced that the application of these two conclusions will provide Canadian periodicals with the basis of dependable support that they require. The application of such principles should not be left to be observed voluntarily by publishers and advertisers—it can only be assured by Government action.
What sort of action? The view of the Commission is that in an area as vital and sensitive as that of the press, whatever is done should be positive rather than negative, with the goal the promotion of the Canadian periodical, not the suppression of the foreign.

To this end, it has been necessary to distinguish a Canadian from a foreign periodical.

DEFINITION

OWNERSHIP: The final determination of a periodical’s character is made by its owner, and the simplest and most effective test of a periodical’s responsibility is the citizenship duties of its proprietor.

*The Commission concludes:*

*That a Canadian periodical is one published in Canada, owned either by Canadian citizens or, if a corporation, by a company incorporated under the laws of Canada or of one of its provinces, and which is controlled and directed by Canadian citizens and is not a licensee of or otherwise substantially the same as a periodical owned or controlled outside Canada.*

EDITING: It is evident that a Canadian publication in order to realize its responsibilities to the social, political and economic life of the nation must be edited in Canada.

*The Commission concludes:*

*That a Canadian periodical is one edited in Canada by a staff normally resident in Canada, its typesetting (in whatever language) and its entire mechanical production must be in Canada and its publication must be from a place or places within Canada.*

IMPLEMENTATION

There are only a limited number of methods available for achieving these objectives. Generally speaking, the Government can act in two ways: subvention and prevention. Each has certain inherent difficulties.

SUBVENTION

Subventions have been proposed in various forms including: free mailing privileges, tax exemptions, direct and indirect grants. All of these methods, and many more besides, have been carefully examined.
The suggestion of free postal privileges has been rejected as of little real benefit to commercial periodical publishing and in any case as out of keeping with the policy of self-sufficiency, which is traditional in our postal service.

The exemption from sales and corporate taxes is not recommended because removal of sales tax is inconsequential in its effect (it having already been done in most aspects of publishing), and removal of the corporation tax, apart from being a subsidy, would only benefit those periodicals realizing a profit.

Grants, whether direct or indirect, are considered abhorrent to press freedom.

PREVENTION

Whatever measure is to be used must, therefore, be found in prevention. It must be clearly understood that the Commission recommends nothing which in any way might obstruct the entry to Canada of foreign periodicals not carrying Canadian advertising directed primarily at the Canadian market. The Commission's sole aim is to prevent the placement of Canadian domestic advertising in foreign periodicals available in Canada and to discourage the use of second-hand editorial material as an enticement for advertising. These practices must be stopped; stopped effectively and permanently. Involved is the question of whether or not Canadians shall have their own periodicals.

RECOMMENDATIONS

The simplest and most direct method of dealing with the diversion of Canadian domestic advertising to foreign periodicals printed in Canada is to deny to the taxpayer the deduction as a business expense that he now enjoys for domestic advertising expenditures in a foreign periodical. Such a step may be easily administered, because the advertiser must claim the deduction.

The result of non-deductibility would be approximately to double the cost of domestic advertising in a foreign periodical wherever printed.

The Commission recommends:

That the deduction from income by a taxpayer of expenditures incurred for advertising directed at the Canadian market in a foreign periodical wherever printed be disallowed.
The most direct and effective method of ending diversion of Canadian domestic advertising to foreign periodicals entering Canada is to provide under Schedule 'C' of the Customs Act that such magazines entering Canada shall contain no advertising which on its face indicates the availability of a product or service in Canada or is otherwise primarily directed to consumers in Canada.

This method involves no interference with editorial content, no 'tax on ideas or information', no actual interference with readership preference, and, with no tax or customs duty, would have the merit of administrative simplicity.

Some classes of periodicals already appear in Schedule 'C' under Tariff Item 12181. The Commission is of the opinion that this item could be extended to bar the entry of foreign periodicals containing domestic advertising, whether inserted by split runs or any of their variations.

The Commission recommends:

*That the entry into Canada from abroad of a periodical containing domestic advertising be excluded under Schedule 'C' of the Customs Tariff. "Domestic advertising" shall include postcards, coupons and inserts contained in a periodical and indicating the availability of a product or service in Canada.*

The Commission points out that other ways also exist to prevent Canadian advertising in foreign periodicals published abroad. In this connection attention is directed to Customs Tariff Items 170, 171, 178, and 184a1.

**SUMMARY**

The foregoing recommendations would prevent the diversion of Canadian advertising expenditures from Canadian periodicals. They strike at split runs, regional editions, 'Canadian' sections, 'Canadian' editions and any other techniques of diversion which exist now or may be developed in the future. They do not bear upon any Canadian periodicals and they do not affect foreign cultural, "little", consumer or business periodicals in any language unless they are used as carriers of domestic advertising.

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1 See Appendix J.
EFFECT ON PERIODICALS FROM FRANCE

The Commission knows of no periodical published in France that carries Canadian domestic advertising into Canada. Periodicals from France are not, therefore, affected for the present by the foregoing recommendations.

During the hearings, French-speaking participants were equally divided as to whether or not the Commission should treat periodicals from France in the same manner as the Customs Tariff deals with French books, that is: a general exemption from all potential restrictions. The Commission has carefully considered both points of view and has concluded that it should make no recommendations that would exempt from the foregoing recommendations any foreign periodicals which act as carriers of domestic advertising.

EFFECT ON ETHNIC PERIODICALS

As they stand, requirements of the definition of a Canadian periodical will discourage the importation of ethnic editorial material for use in support of an advertising structure. Importation of such editorial material has been the cause of the principal complaint of the ethnic press.

EFFECT ON FRENCH-LANGUAGE CANADIAN PERIODICALS

The Commission has also considered the present situation of the French-language periodical press in Canada. From this quarter allegations were heard that, with regard to French Canada, certain Canadian periodicals are engaging in the same practices as they charged against United States by-product publications.

Your Commissioners find that one of the greatest threats to the survival of the French periodical press in Canada is the manipulation of combined advertising rates to provide extraordinary discounts for advertisers using both the English and the French editions of periodicals. Several participants claimed that the combined rate reflects actual savings in sales and mechanical costs made by the publisher and passed on to the advertiser.

Used in this manner the "combined rate" becomes a sort of sales device available only to publishers uniquely situated with editions in both languages. Because virtually all the
purchasers of advertising in both languages are large companies serving predominantly English markets, their primary interest is the publisher's English edition so that the effect of a "combined rate" works against the French-language periodicals.

The Commission is of the opinion that this practice should not be allowed to continue unrestricted.

The Commission recommends:

*That use of a combined rate should be prohibited by an amendment to the Combines Investigations Act.*

**EFFECT ON FREEDOM OF EXPRESSION**

Subject always to paramount national interest, the Commission has avoided suggesting measures which limit either the freedom of expression or its corollaries: free flow of information and readership preference.

Some may claim that the statement of an ownership requirement constitutes licensing of the printing press. Such is not the case. The right to own a press and to print and distribute from it whatever is legally permissible, remains unhampered.

The Commission's sole purpose is to define those periodicals which by reason of their responsibility to, and function in, the Canadian nation, should be assisted in their access to Canadian advertising expenditures, this in keeping with the principle that the advertisement of domestic goods and services to a domestic consumer should be through a Canadian medium.

The diversion of Canadian advertising from foreign periodicals does not mean regulation of the preparation, content or free flow of their editorial material any more than it means that the reader is denied the periodical of his choice.

Finally, in its emphasis on Canadian advertising support for Canadian media, the Commission's conclusions make neither rules as to what an advertisement may contain nor regulations regarding how much may be spent in periodicals. They simply provide for the spending of money raised from the domestic consumer in support of domestic media.

The Commission was concerned lest there might exist in some minds a concept of advertising which would consider this policy a violation of some sort of right or freedom. How-
ever, competent witnesses, frequently questioned on this point, refused to support such a belief. Indeed, spokesmen for advertisers and advertising agencies stated unequivocally that a Canadian alternative exists in all forms of advertising.

It may be asked: What if domestic advertising expenditures so released go to competing media—radio, television, newspapers—and are withheld from periodicals? Your Commissioners firmly believe in the worth—and national need—of the Canadian periodical press as a medium of communication. Given the opportunity of which they are now deprived, we are convinced that Canadian magazines and business papers should be able to obtain their fair portion of advertising expenditures.

GOVERNMENT ADVERTISING

In the past, the Canadian Government has been a leader among advertisers placing domestic advertising in foreign magazines. While the enactment of the foregoing recommendations will not by itself bind the government, or the various provincial governments, your Commission hopes that a policy will be established in keeping with that required of other Canadian advertisers.

ADVERTISING IN FOREIGN PUBLICATIONS

The foregoing recommendations are not intended to affect the placing in foreign publications of advertisements directed primarily to foreign markets by advertisers in Canada.

OVERFLOW ADVERTISING

There should be no deductibility of advertising expenses incurred by advertisers in Canada for domestic advertising carried by overflow circulation. Similarly, overflow advertising redirected to a Canadian audience by the addition of cards, coupons or any other information indicating the availability of a product or service in this country should be considered as domestic advertising and subject to exclusion.

ILLEGAL ADVERTISING

Exhibits of overflow advertisements filed with the Commission make claims forbidden by Canadian legislation, such as the Food and Drugs Act and the National Housing Act. These exhibits indicate not only an inequity (in that neither can Canadian periodicals carry, nor Canadian advertisers
place, such advertising), but also a violation of laws designed for the protection of domestic consumers.

The Commission recommends:

That existing Canadian legislation be strictly enforced against illegal or fraudulent claims contained in overflow advertising circulating in Canada, and made on behalf of goods or services available in Canada.

CATALOGUE ADVERTISING

Overflow advertising should be clearly distinguished from catalogue advertising which, although it circulates periodically (usually as an annual or semi-annual) is designed solely to promote the sale of the goods or services of one company or group of companies.

At the moment catalogues sent individually enter Canada free of customs duty and sales tax. Their exemption has made possible a flood of sales literature to the serious disadvantage of Canadian merchants, whose catalogues are subject to sales tax.

The Commission recommends:

That catalogues entering Canada from abroad be subject to the same taxes and duties as other printed advertising matter.

In this, as in other recommendations concerning advertising despatched individually from abroad, it is intended that the sender prepay customs duty and sales tax.
Advertising is drawn by circulation. Besides the mass of overflow advertising which they carry, foreign periodicals entering this country from abroad cause, by the mere fact of their number, severe difficulties for Canadian periodicals. Filling the stands, flooding the Canadian mails—they challenge Canadian publishers to produce an article with an appearance, quality and price competitive with that produced from a much larger and wealthier economy.

Overflow circulation of foreign periodicals exceeds 150 million per year, compared with a domestic production of barely 45 million per year; in consumer periodicals alone, over 500 different magazines cross our borders, compared with barely 40 Canadian titles.

The domestic publisher can find his best defence in Canadian content but editorial quality cannot be maintained without advertising revenues.

Overflow circulation shows that Canadians want the editorial diversity of foreign publications. Any legal impediment to their natural circulation might be interpreted as trespassing upon fundamental rights.

CIRCULATION PROMOTION

The promotional practices of certain foreign publishers in this country cause serious difficulty to Canadian publishers. With increasing regularity, circulation wars break out among American publishers. The Canadian publishers find themselves in a battle not of their own choosing, in a league they can ill afford. More often than not the result is that each retains his old relative position.
By far the largest part of the promotion carried on in this country by foreign periodicals is through use of printed matter produced abroad. It is obtained at marginal cost from similar campaigns conducted in the United States and sent into Canada, with or without alterations to give it a local flavour.

This practice can only be expected to become more common as a result of recent decreases in the American third class postal rate for Canadian delivery.

An impediment to promotional advertising from abroad once existed in the form of paragraph 3 of Tariff Item 178, but the application of this provision has been largely avoided by the addition, for administrative purposes, of a fifth, exempting paragraph¹.

From a purely administrative point of view this exemption may have been justifiable in its time. However, its economic effects and wider implications on the Canadian periodical press have proved to be injurious.

The Commission recommends:

That paragraph 5 of Tariff Item 178 be repealed.

Promotional advertising gains a great deal in effectiveness and appeal from the use of Canadian business-reply cards or envelopes. At present, substantial quantities of these are being printed abroad and enclosed with material designed, printed and mailed outside Canada. Their effect is greater because of their Canadian disguise.

The Commission recommends:

That the privilege of business reply cards and envelopes be extended only when the promotional material which they accompany is prepared and mailed in Canada.

POSTAL DISTRIBUTION

Periodicals do not carry the full cost of delivery because it is believed to be in the national interest that there be the widest possible distribution of periodicals and newspapers.

The loss to the Canadian Post Office on publishers' second class mail has been increasing steadily:

¹ See Appendix J.
1948 .................................. $7,460,689  
1952 .................................. $13,603,326  
1956 .................................. $17,193,444  
1960 .................................. $22,703,608

A very large part of this deficit can be attributed to the delivery in Canada of periodicals mailed from abroad.

FOREIGN SECOND CLASS MAIL

The Canadian Post Office receives no revenue from the delivery of foreign second class mail because, under the terms of the Universal Postal Convention, all governments are required to handle free of charge whatever is passed to them by foreign post offices. The foreign post office retains whatever payment is made for the service.

The arrangement is reciprocal and therefore, in theory, equitable. Experience has shown, however, that between Canada and the United States theory fails completely in practice. Canadians receive far more second class matter from abroad than they send abroad.

In the past, such imbalances have arisen between Canada and the United States in the carriage of parcels and air mail, and led to the negotiation of ‘Terminal Payments’ to compensate the Canadian Post Office for the loss involved. The same situation has existed for some time in second class mail. It is estimated that nearly $6 million of the 1960 deficit in second class operations resulted from American publications mailed and postage paid in the United States.

The Commission recommends:

That, in the matter of second class mail, the United States be asked for compensation in the form of terminal payments.

The Commission is aware of the 1961 Canada-United States Postal Convention but while the convention will perhaps ameliorate the present situation indirectly, it fails to grapple with the fundamental problem: an imbalance between what is paid for and sent in the United States, and what is delivered not paid for in Canada.

The effect of the convention is indirect in that, by resulting in a higher rate for second class mail posted in the United States, fewer publications will be despatched to Canada through the international mails. The convention does not
provide for greater income to the Canadian Post Office. It is, however, possible for the Canadian Post Office to benefit materially from the increased rate in the United States.

The deficit on second class delivery of foreign periodicals is an old story. Since as far back as 1908, the Post Office Department has encouraged foreign publishers to mail their periodicals in this country by offering advantageous rates. Without legislative foundation, this 'Mailing in Canada' privilege permits foreign publishers, when authorized by the Department, to forward bulk shipments of their publications to representatives at some of the larger centres in this country for mailing to their Canadian subscribers.

The rate must be sufficiently below the foreign rate to allow for the cost of bulk shipment and still permit some financial gain. A Canadian rate so high as to end this advantage would result in the Canadian Post Office carrying the publications free.

With the increased rates for mailing from the United States, it is possible for the Canadian Post Office to raise its rates to re-establish that balance.

In 1960, 55 foreign periodicals, approximately 40 million copies, were delivered through the 'Mailing in Canada' privilege, bringing to the Canadian Post Office nearly $900,000 in revenue which, had they been sent from the United States, would not have been collected by our Post Office. But the estimated cost of delivering these items was more than twice the amount paid by the foreign publishers.

It is important to realize that the 'Mailing in Canada' rate is not the same as the domestic publishers' rate. It lacks any legislative recognition. It is an extension, by regulation, of the domestic news dealers' mailing rate, and in all cases nearly twice as high as the domestic publishers' rate. As its name implies, it is a privilege—separate and distinct from domestic publishers' second class rates—from which its tariff is wholly independent.

The Commission recommends:

That the 'Mailing in Canada' privilege, recognized as a distinct rate, be increased to that degree which will remain competitive with foreign second class postal rates.

The Commission would go further and abolish local delivery rates, which are higher than other second class rates
and apply to those periodicals sent to subscribers and newsdealers in the same locality as the publisher. These affect only Canadian publishers, and, in fact, favour foreign publishers.

The Commission recommends:

That local delivery rates on second class mail be repealed.

The privilege of second class rates must be extended restrictively, especially with a view to ensuring that they are not used for advertising material which should go third class. This necessity is recognized by regulation. The maximum advertising content permissible for any type of publication enjoying second class rates is 70 per cent.

In practice most periodicals average about 55 per cent and only a few exceed 60 per cent. By the time they exceed two-thirds in advertising content, they virtually become catalogues—and, as such, should be subject to third class rates.

Even the present maximum is sometimes exceeded by confusing reading matter and advertising. In this way, both postal authorities and readers find it difficult to distinguish between what the publisher says of his own accord and what he has been paid to say. Whether from the administrative or ethical point of view, the practice is entirely inconsistent with the privilege of second class postal rates.

The Commission recommends:

That editorial or other reading matter contained in publications entered as second class mail and for the publication of which a valuable consideration is paid, accepted or promised, shall be marked plainly "Advertisement" by the publisher.

The postal regulations on second class mail advertising content are not the only regulations sometimes circumvented by advertisers. There is, for instance, The Marking of Imported Goods Order, which stipulates that the imprint identifying country of origin must be in a conspicuous position and in legible type, and that it must not be covered or obscured by subsequent attachments or arrangements.
Exhibits filed with the Commission clearly indicate that material is circulating in Canada without imprint or with the imprint so small and inconspicuous as to be almost illegible.

‘Canadian’ souvenirs, sales periodicals and other forms of literature and advertising have been admitted despite the regulations and often have been appraised at very low and unrealistic values.

The Commission recommends:

That The Marking of Imported Goods Order and the tariff items with which it is associated be strictly and realistically enforced.

CULTURAL AND LITTLE MAGAZINES

The worth to Canada of cultural and “little” magazines has been dealt with in a separate chapter. There it is made clear that by their very nature they are deprived of advertising profits and must depend for their revenues—if any—on their readers and private subsidy.

The Commission feels that, as in the case of rural newspapers, they should be given special assistance with their circulation.

Rural newspapers, whether weekly, fortnightly or monthly, when published in any place with a population of not more than 10,000, enjoy free postage to the extent of a circulation of 2,500 copies to regular subscribers and newsdealers residing within a distance of 40 miles from the place of publication.

The Commission recommends a like treatment for cultural and “little” magazines, but in a way to meet different conditions as to circulation. Where the country weekly finds its audience locally by its peculiar regional appeal, the cultural or “little” magazine must find its audience nationally by a broader appeal. Postal privileges granted to cultural and “little” magazines should, therefore, extend across Canada to a larger circulation.

Also, as with Canadian commercial periodicals, there are good grounds for assisting the cultural and “little” periodicals in soliciting subscriptions by sending out sample copies to prospective readers. The same reasons apply to both, with the additional consideration for the “little” magazines that their circulation procurement is more difficult than that of
the commercial periodicals; their readers are fewer and farther apart, not as easily found and harder to convince.

*The Commission recommends:*

*That non-profit cultural and “little” magazines carrying less than one-third advertising content be granted free mailing privileges throughout Canada for their first 5,000 copies per issue and for authorized sample copies.*

**NEWSSTAND DISTRIBUTION**

Newsstand sales bring greater net return per copy to the publisher, as a rule, than do mail subscriptions. They introduce a periodical to the public.

Some publications do not, as a rule, get the best display on the newsstands, but the situation is not such that it requires interference with rights of property or readership preference.

Canadian magazines will always have a place on newsstands, if only because of their unique national flavour. If the Canadian publishers have not already done so, it might be well for them to explore the possibility of organizing a co-operative distribution agency.
The Commission here recapitulates the facts, basic assumptions and judgments underlying its recommendations.

The Commission has not tried to equate the preservation of our periodical press with the life of the State itself; Adam Smith's saying that there is a lot of ruin in a nation seemed to us applicable here. Its approach to its task, to repeat it briefly, was that if there be acceptance of the fact that Canadian periodicals "contribute to the development of a Canadian identity", then responsibility must rest upon us all to see to it that such periodicals do not disappear and, least of all, disappear through unfair competition from foreign publications, when this situation could be corrected effectively with justice.

This, and this only, is what the Commission's recommendations mean.

NO SANCTUARY FOR MEDIOCRITY

Recommending to this end—the elimination of unfair and perhaps ruinous competition—the Commission has no desire to create a protected haven or storm shelter for Canadian periodicals, and least of all a sanctuary for mediocrity. Its sole aim is to secure a climate of competition in which Canadian publications now serving Canada worthy, and other publications which may come later to serve Canada worthily, shall have a chance to survive. And the Commission assumes that any rights or safeguards thus justly granted to Canadian publications shall be regarded by them as in the nature of a bilateral contract—a contract implying responsibilities on both sides and not something merely to be equated with a balance sheet.
THE CANADIAN POINT OF VIEW

The principle that Canadian advertising expenditures should go to Canadian media is founded on the necessity of Canadian communications—not necessarily as a source of profit but as a source of national news and views. Having been assured financial support, it remains the Canadian publisher’s responsibility to ensure that his publication does indeed express what it alone can express.

The Commission considered a requirement of Canadian editorial content, meaning that a Canadian periodical should devote a stated amount of its editorial space to the Canadian scene. That the matter was dropped, was due in part to manifest difficulties in enforcement, but more largely out of respect for the widest possible interpretation of press freedom.

The Commission, we repeat here, proposes nothing which impinges in any way whatsoever upon press freedom, nor upon reader preference, nor which by any stretch of the imagination can be called censorship. No foreign magazine entering Canada will be subjected to interference with its editorial content. Only when, for additional profit, it changes from what it was at its publication source and makes itself into a vehicle or packaging device for bringing advertising into Canada, specifically directed to Canadians, will it be touched.

ANTI-AMERICANISM AND ULTRA-NATIONALISM

Nor was the Commission, in arriving at its recommendations, influenced in any way by a spirit of anti-Americanism or of Canadian ultra-nationalism. As set forth in this Report’s introductory chapter, the Commission throughout its hearings condemned openly all such manifestations, believing that a Canadian periodical press given to a narrow, bigoted nationalism would not be worth salvation. The only aim was to preserve for Canada publications essential to her existence as a distinctive entity.

The Commission feels confident that the people of the United States, reading the facts as we have presented them, will agree that their country, placed in Canada’s circumstances, would not hesitate to take the measures which we recommend for Canada.

OTHER PROBLEMS

Other problems facing periodicals, some of them perhaps inseparable from the modern role of communications, were placed before
us: Competition between periodicals and other media, the demands of technological advances, the lack of uniformity in provincial laws in such fields as liquor advertising, the facilities for Canadian information abroad, our copyright laws as they affect Canadian writers, and other matters of like concern.

The Commission's view is that some of these problems must be left to individual responsibility in the workings of a free society, with the hand of the State avoided wherever possible, and that others, whatever their merit, could hardly be considered within the letter of our terms of reference.

To make an end, the Commission, working within its terms of reference, has been much aware that it has been dealing with a national problem. It ventures to suggest that whatever measures are adopted be left intact, this not only as a safeguard of their effectiveness, but because it is unlikely that the problems they are designed to meet will soon again secure a hearing as thorough as they have received from this Commission.

ALL OF WHICH WE RESPECTFULLY SUBMIT
FOR YOUR EXCELLENCY'S CONSIDERATION

May 25, 1961

* The Commission is unanimous in this, its Report, but Commissioner Johnston has signed subject to some observations which follow immediately.
Supplementary Observations by
COMMISSIONER JOHNSTON

on the position of TIME, READER'S DIGEST, AND MACLEAN'S

I have decided that there should be, as part of the report, a more specific discussion of the position of the three main participants, in order that the reader may be more completely informed of the facts and reasoning therefrom which enabled me to concur wholeheartedly in the recommendations. The comments and opinions are entirely my own.

The claim that Time was truly Canadian in "all essential respects" was made by that publication's representative in the original submission heard by the Commission on November 16 and subsequently, particularly in the submissions of witnesses before the Commission on January 17.

But the question of Time's position as a "Canadian" magazine was cleared up in the hearing on January 17, when Mr. Henry Luce, (the head of the Time-Life enterprises) said "I may be in some disagreement with my colleagues. . . . I do not consider Time a Canadian magazine."

Time in its first brief claimed to be a part of the Canadian magazine industry, which, it contended, was flourishing. Figures adduced later in the proceedings show that in this "Canadian magazine industry" the only ones of general circulation or "consumer magazines" that were flourishing were Time and Reader's Digest. The several strictly Canadian publications either were barely breaking even or were showing a direct loss.

"The question of profit depends on management." Anyone knowing the history of the magazine industry in Canada would inevitably come to the conclusion that in some instances management had been less capable and vigorous than would have been desirable from the point of view of the owners of the publications and, probably, the country at large.

This indisputable fact does not make less desirable action by government which would restore or establish equitable competition. Inequitable competition consists of encroachment into the field of Canadian advertising-selling by organizations using vastly greater resources than any strictly Canadian enterprise could or would use in development of native Canadian magazines.
Magazines, like all publications, are sold to subscribers and newsstand customers for their editorial or news content. Reading of advertisements in publications is incidental to the reading of the news and editorial material. It follows that the more attractive the reading material, the greater the circulation, and the greater the circulation the greater the appeal of the publication to advertisers and their agents. News magazines as developed in the United States are expensively prepared and produced. The publications of which Reader's Digest is the outstanding example also (like Time) have an editorial advantage over Canadian publications in that their extraordinarily expensive material is available to all the subsidiary publications at a fraction of their original cost. In the case of Reader's Digest the cost to the 'Canadian' edition is apparently less than 5 per cent.

But, Reader's Digest did not and does not claim to be a Canadian publication. And, therefore, it should be treated under Canadian law on exactly the same basis as would other foreign publications freely entering Canada for the interest and information of their Canadian subscribers.

Time made the argument that its presence in the Canadian advertising field promoted magazine advertising generally and, therefore, was of indirect assistance to home-grown Canadian publications. The difficulty with this argument is that if one Canadian publisher and two non-Canadian publishers in the general magazine field obtained most of the revenue (other than Weekend and Star Weekly) there is little left over for smaller Canadian magazines.

A restoration of equitable competition would leave to the Canadian magazine industry an opportunity to get a share of the revenue. As was said in another connotation, "Not even the biggest of the giants in advertising can afford to use all advertising media. Even they face limitations of budget."

The argument for continuing to allow outside publications to advertise Canadian products to Canadian consumers would seem to fail also on the fact that there is only so much advertising money to go around.

It is beyond dispute that a great many Canadians read Time. And it has a substantial appeal, particularly with regard to departments dealing with arts, sports and other features outside the general run of news. The recommendation of the Commission, if adopted by the Government, will not prevent Canadians from continuing to read Time if they wish, nor prevent Time from continuing if it wishes to produce an edition particularly designed to appeal to Canadians.

MACLEAN-HUNTER PUBLISHING COMPANY LIMITED

There is one Canadian periodical publishing company that in assets, earnings, number of publications and financial strength is far ahead
of any other in the Canadian field. This is the Maclean-Hunter Publishing Company Limited. Its most profitable publication is The Financial Post, but a large number of the smaller trade papers, or business papers, also contribute to the over-all earnings and stability of the enterprise.

This company operates its own printing plant, a very large one. It owns a new office building on University Avenue in Toronto and other real estate.

A conservative estimate of the value of the property or its replacement cost would be above $15,000,000. There is no debt. Control is in the Hunter family. Principal employees have some of the common stock. There is a preferred stock issue of $347,000, much of which is owned by the Presbyterian Church in Canada, having been left to that organization by the late Colonel John Bayne Maclean, founder of the enterprise.

J. B. Maclean was a very junior employee of a Toronto daily newspaper when he established, in 1887 with extremely limited capital, his first publication, Canadian Grocer, and also acquired and gradually built up a printing department.

Dividends paid by Maclean-Hunter Publishing Company have been moderate. It has been the policy to plow back earnings, and when expansion opportunities came the company was able to take advantage of them.

The company has also operated on a principle of incentive for executives with the result that it has the reputation of being an alert, forward-looking and ambitious enterprise. With this reputation of competitiveness there seems no doubt that other organizations seeking to maintain their position in or enter fields in which Maclean-Hunter is established would find the going difficult.

If one believes in the free enterprise system (which all of the Commissioners do) it is not reasonable to complain about the success of this Canadian company. Its dominance is not accidental and it would be unreasonable to advocate restrictions that would prevent the continuance of this enterprise as long as it competes fairly and honestly.

What has been said has had to do with the financial and business papers of this company. A review of the condition of its consumer magazines reveals a quite different situation.

These three publications—Maclean's Magazine, Chatelaine, and Canadian Homes—would not likely survive under other ownership if that other ownership were unable to carry the losses. These three magazines together, or any one of them separately, would under present circumstances be quickly in financial trouble and especially if they did not own their own printing establishment and other facilities of produc-
tion. Maclean-Hunter has a substantial portion of its investment in printing machinery. One of its officers testified that if this printing department did not have the job of printing these magazines, the overall loss on the consumer magazines operation would be greater because there would be idle equipment in which there is a large investment.

In view of the history of this company and its outstanding success in the field of trade papers, financial papers and its printing establishment, the Commission was concerned lest a recommendation for improving the climate for Canadian periodical publishing could be construed as a recommendation mainly for the benefit of this one large and successful company.

The president of the company freely admitted that, in the event that foreign magazines now selling advertising in the Canadian market were prevented from doing so, he hoped that his company would get a substantial part of the $8,000,000 or $9,000,000 that, on the surface, would be available for Canadian publications or other advertising media.

None of the Commissioners had any wish to make recommendations promoting a monopoly in any field of business.

Maclean-Hunter, with its consumer magazines dominant in the Canadian market, could live with a situation whereby 41 per cent of the available money for advertising in consumer magazines was going to two publications owned outside the country. Maclean-Hunter now has a little over 46 per cent of that market, leaving less than 13 per cent for all the other consumer publications in Canada. If the present situation continues, the other consumer publications are likely either to disappear or be inhibited in their growth. *It is clear that a failure to do something to restore equitable competition in this field of publication would result in greater dominance by Maclean-Hunter than would be the case if other publications had a better chance to make progress.* There are probably a dozen small or moderate-sized consumer publications and it could be hoped that, if conditions of competition could be improved, new publications could be started, maintained, and flourish.

So the position as the Commissioners see it is that continuance of the present situation *would in the future further the preeminent position of Maclean-Hunter*, whereas the elimination of inequitable competition would help the existing small publications and make less foolhardy new ventures into this highly competitive field, a field of endeavour of importance to Canadians in general.

[Signature]
Commissioner.
SUMMARY OF RECOMMENDATIONS

CANADIAN PERIODICALS

Definition

The Commission concludes: That a Canadian periodical is one published in Canada, owned either by Canadian citizens, or, if a corporation, by a company incorporated under the laws of Canada or of one of its provinces, and which is controlled and directed by Canadian citizens and is not a licensee of, or otherwise substantially the same as, a periodical owned or controlled outside Canada.

The Commission concludes: That a Canadian periodical is one edited in Canada by a staff normally resident in Canada, its type-setting (in whatever language) and its entire mechanical production must be in Canada and its publication must be from a place or places within Canada.

Advertising

The Commission concludes: That a nation's domestic advertising expenditures should be devoted to the support of its own media of communications.

The Commission concludes: That a nation's communications media must be aware of their responsibilities and that such media should not be used merely for the re-publication of editorial matter to support an advertising structure.

The Commission recommends: That use of a combined rate should be prohibited by an amendment to the Combines Investigation Act.

The Commission recommends: That editorial or other reading matter contained in publications entered as second class mail, and for the publication of which a valuable consideration is paid, accepted or promised, shall be marked plainly "Advertisement" by the publisher.

Circulation

The Commission recommends: That local delivery rates on second class mail be repealed.

The Commission recommends: That non-profit cultural and 'little' magazines carrying less than one-third advertising content be granted free mailing privileges throughout Canada for their first 5,000 copies per issue and for authorized sample copies.
SUMMARY OF RECOMMENDATIONS (Concluded)

FOREIGN PERIODICALS

Definition

The Commission concludes: That a Foreign periodical is one which does not meet all the requirements of a 'Canadian' periodical.

Advertising

The Commission recommends: That the deduction from income tax by a taxpayer of expenditures incurred for advertising directed at the Canadian market in a foreign periodical, wherever printed, be disallowed.

The Commission recommends: That the entry into Canada from abroad of a periodical containing domestic advertising be excluded under schedule 'C' of the Customs Tariff. "Domestic advertising" shall include postcards, coupons and inserts contained in a periodical and indicating the availability of a product or service in Canada.

The Commission recommends: That existing Canadian legislation be strictly enforced against illegal or fraudulent claims contained in overflow advertising circulating in Canada, and made on behalf of goods or services available in Canada.

The Commission recommends: That catalogues entering Canada from abroad be subject to the same taxes and duties as other printed advertising matter.

Circulation

The Commission recommends: That the Marking of Imported Goods Order and the Tariff Items with which it is associated be strictly and realistically enforced.

The Commission recommends: That paragraph 5 of Tariff Item 178 be repealed.

The Commission recommends: That the privilege of business reply cards and envelopes be extended only when the promotional material which they accompany is prepared and mailed in Canada.

The Commission recommends: That in the matter of second class mail, the United States be asked for compensation in the form of terminal payments.

The Commission recommends: That the 'Mailing in Canada' privilege, recognized as a distinct rate, be increased to that degree which will remain competitive with foreign second class postal rates.