

The Budget—Mr. D. MacDonald

sophisticated equipment, advance payments, and promotion campaigns, long before they can expect a return on their investments. The foreign takeover of Canadian firms, such as publishing houses, or more frequently their failure to expand with new market opportunities, can be largely attributed to this lack of operating capital.

A Progressive Conservative budget would make special provision within existing federal programs, such as the Federal Business Development Bank or the Small Business Loans Act, for those firms which are producing or distributing Canadian cultural product. We would provide federal government guarantees on loans from the financial institutions based on three criteria: the firm must be majority Canadian-owned, the firm must have a record of commercial viability, and the firm must have shown a commitment to the development of Canadian cultural material.

The fifth and sixth measures are somewhat different from the first four I have outlined because they would deal directly with the provision of incentives to the cultural market place for Canadian products. In the areas of film, books, magazines and recordings the same problem confronts Canadian works throughout the cultural market place. The distribution systems are so dominated by foreign corporations committed to the tradition of marketing foreign material that only a fraction of Canada's potential for creative output ever reaches the Canadian public. In our domestic market only 7 per cent of records sold, 5 per cent of movies seen, 3 per cent of newsstand magazine sales, and 9 per cent of book sales are Canadian. Unfortunately, we are unique in the industrialized world in the extent to which our mass media of culture, which is the lifeblood of a nation's identity, is controlled from outside our borders. I believe we would undoubtedly lose in comparison to a good many developing nations as well.

Quite obviously, it would be foolish to attempt to close our borders to the output of foreign cultures, as they are themselves part of the excitement and diversity of our own culture. But surely there must also be a reasonable level of communication among Canadians if we are ever to share, appreciate, and even make sense of this tremendous diversity we cherish. By no imaginable standard could we conclude that Canadians today do possess that reasonable level of access to our cultural media needed to communicate among ourselves. The reason is not that we have nothing to say, not that we lack the ability for creative expression. If anything, it has been proven in the last ten to 20 years that we have had a literal explosion of creative activity from one end of the country to the other. But we lack the economic leverage which, for better or for worse, is what gets the cultural product into the mass market in our system.

It will not be enough, as we are quickly finding out, simply to produce creative works of international quality, although there is no doubt in our minds that Canada's cultural community can do so capably. We must equally find ways to gain fair access for these works to the Canadian market.

Here I want to talk briefly about quotas because this seems to have been the primary solution the federal government has

advanced over the last few years. Quotas, both voluntary and mandatory, have proven at best a limited success with television, radio, and the movie chains. Where the quota is not flaunted outright, its spirit is often seriously violated. We can well imagine the difficulties of applying or extending the principle of quotas on a broader scale to book and record stores, for example.

There are other ways, so far untried by this government, but which we believe have the potential to succeed. A Progressive Conservative budget would have included incentives to the market place itself to provide fair access for our own cultural works. What this approach would do, in effect, is create a demand or a pull for Canadian books, films, records and magazines, rather than pushing them onto an unreceptive market. There are two likely routes we could follow here, either separately or in conjunction with one another. I want to deal briefly with two market initiatives which I think are quite significant.

Our first option would be to initiate a nation-wide scheme modelled on Ontario's "Halfback" program which was so successful earlier this year. Ontario's experiment was successful because it allowed the holders of losing Wintario tickets to redeem them at half value or 50 cents each, up to a maximum of \$2 on the purchase of a Canadian book or magazine subscription. A national scheme based on losing Loto Canada tickets would apply equally to Canadian films and recordings, as well as books and magazines, and joint participation from provincial lotteries would also be welcomed. While it is unlikely such a scheme would be very useful if extended indefinitely, it would in a given period encourage hundreds of thousands of Canadians to try a taste of their own culture, perhaps for the first time.

The second option involves a novel use of the tax system to give an incentive to firms in the cultural market place to promote and sell Canadian. Essentially we would exempt from corporate tax the net profits realized by retail stores on their sale of Canadian books and records, or in the case of movie houses from their exhibition of Canadian films. In the so-called mass market or rack sale of paperbacks, magazines and records, we would apply this incentive to firms at the distribution or wholesale level.

I recognize that a new approach as this will naturally encounter a number of administrative difficulties. On the question of eligible items we would use the same definition of what is Canadian as for the capital cost allowance. We would probably look to the distributors of the product, who will certainly be prime beneficiaries of this incentive, to implement the necessary bookkeeping procedures. We would have to devise an efficient formula for determining the proportion of the firm's expenses used to calculate the net profit figure which is tax exempt. But I am confident that any of these difficulties or technicalities can be resolved in consultation with the firms affected. The potential in this approach certainly makes it well worth the effort. It would not force anyone to "Buy Canadian". It would not subsidize mediocrity. It does give Canadian small businesses a significant incentive to pro-