after so many months it is still only a matter of study and continuing discussion with his colleagues. I am really surprised and quite disappointed that the Secretary of State so far has been unable to convince the Minister of Finance of the obvious and clearcut need for such a measure. A Progressive Conservative budget would remove this inequity from our tax laws.

The second measure we would introduce concerns the definition of Canadian films eligible for investment incentives. I suppose the single most important reason for the present miniboom in our feature film industry is the 100 per cent capital cost allowance on film investments introduced in 1976. This measure enabled Canadians to deduct from their taxable income the full amount of their investment in film making. Unfortunately, this measure has allowed tax advantages for investments of dubious lasting value to the Canadian film industry. Some fly-by-night operators have moved in and out quickly to exploit and celluloid tax shelters. More seriously, the administration of the film investment allowance has undermined the independence of our fledgling, indigenous film industry. There exists a serious danger this infant industry will become a ward of the Hollywood majors, thus defeating the purpose of creating a genuine Canadian industry.

It seems to us that the heart of the problem lies in the definition of a film eligible for the investment allowance contained within the income tax regulations. We believe it is axiomatic that any fiscal measure in support of the cultural sector must encourage both the creative and the financial control of Canadians. By that basic yardstick, the present definition simply does not measure up. This is not news to the present Secretary of State, who, I am sure, has received representations from many sectors of the film industry to this effect since he assumed office, and I am disappointed that in this budget, as in his partial film policy of last spring, no action was taken.

We believe it is important to strengthen the definition of films eligible for the investment write-off. As a minimum, we would add three requirements: the film's director, production company, and distribution company with domestic rights, must be Canadian, which we would define as a citizen or landed immigrant with one year's continuous residence, or a company that is majority Canadian-owned. We believe that these three straightforward amendments to the tax regulations would significantly enhance the creative autonomy of our film industry and the financial return available to Canadian companies for re-investment. We would also, at the same time, ensure that this strengthened definition included the production of video cassettes, and we would move to ensure that there is significantly more benefit for Canada from film co-production agreements with other countries. By this recommended change you will recognize, Mr. Speaker, we could open up a new and enticing loophole through the co-production agreements.

The third measure would apply the highly successful principle of the capital cost allowance, to which I have just referred to investments in book and sound recording ventures. The major obstacle to the commercial exploitation of Canadian musical and literary talent in Canada, since I believe other countries seem to have no difficulty making money off our artists, is the lack of venture capital. Canadian firms in this sector are too small to generate internally the investment capital needed. Much of the present financing of Canadian books, for example, comes from either our publishers' profits as the agents for foreign firms, or from the Canada Council's block grant program. This is a highly dependent and sometimes subjective relationship. In a high risk business, outside capital will not become available without some form of sizeable incentive.

Within the film sector, production has been encouraged by not only the capital cost allowance, but also by a range of Crown agencies—the CBC, Canada Council, National Film Board, and Canadian Film Development Corporation, to mention just the most basic ones. The complexity and cost of film-making, in our opinion, does justify special assistance to this sector, but not to the virtual exclusion of such influential cultural media as books and records. A Progressive Conservative budget would, therefore, have recognized the urgent need for venture capital in our publishing and recording industries by allowing investments in most Canadian books and records to be eligible for the 100 per cent capital cost allowance.

As with film, we would establish eligibility criteria that ensure creative and financial control remain Canadian. Frankly, we have no interest in allowing tax deductions for investments that are of no value to Canadian firms or artists. Books eligible for the investment allowance would have a Canadian author, a majority Canadian-owned publisher, and a Canadian printer. Eligible sound recordings would have a majority Canadian-owned production company and domestic distributor, Canadian principal performer or performers, and depending on the type of music, a percentage of Canadian-authored music or lyrics.

• (1332)

Although Canada possesses a wealth of musical and literary talent, we have seldom been able to invest the large amounts needed for our artists to compete commercially either at home or abroad. Many Canadian recordings are produced for as little as $5,000, and $50,000 is the absolute limit that any Canadian company can put into an album. Compare this to the $150,000 routinely invested by an American company in the first album of a Canadian performer, plus another $200,000 on promotion, and one begins to realize why Canadian talent represents only 7 per cent of the record sales in Canada. The lack of capital forces our first-rate creative talent to accept second-rate technical quality. We would give this incentive to our recording and publishing industries because we believe Canadian talent deserves better than that.

The fourth measure would provide federal guarantees on loans to Canadian firms producing or distributing Canadian films, recordings, books or magazines. Venture capital, as provided through the 100 per cent cost allowance, is by itself not enough to enable firms in the cultural sector to produce and market Canadian talent at their full potential. They have almost no access to credit through our regular lending institutions, although they face unusually heavy cash demands for