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SOUND BARRIERS: THE CANADA-U.S. FREE-TRADE
AGREEMENT AND THE RECORDING INDUSTRY IN CANADA

by

JIM BRONSKILL, B.J.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirments for the degree of

Master of Journalism

Department of Journalism

Carleton University

Ottawa, Ontario

April 10, 1992

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and Research acceptance of the thesis

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AGREEMENT AND THE RECORDING INDUSTRY IN CANADA**

submitted by Jim Bronskill, B.J.

in partial fulfilment of the requirements for
the degree of Master of Journalism

Thesis Supervisor

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May 13, 1992

Abstract

The author examines the implications of the Canada-U.S. free-trade agreement for the sound recording industry in Canada in an extended piece of journalism.

The examination finds that two major elements of the agreement will prove damaging for the domestic industry: the elimination of tariffs on sound recordings entering Canada, and Article 2005, which defines the parameters within which the Canadian government is permitted to support cultural activities.

The theme is developed over six chapters: introduction, the business of culture, machinations of the music industry, projected effects of the deal on music, business and government policy, and concluding arguments.

The author concludes that the trade deal will reinforce several negative characteristics of the industry and that it will prevent the federal government from taking the steps necessary to help ensure the competitiveness of the business in North American and global markets.

Acknowledgements

Hundreds of articles published in books, journals, magazines and newspapers were indispensable in the creation of this thesis. Especially useful were reports found in the pages of Billboard, The Record and RPM from 1987 to 1992.

I have listed articles of particular relevance from these publications in the bibliography. However, many other stories contain valuable information that, in one way or another, finds its way into this work.

Record industry people are very busy sorts. Yet many took time out of their schedules to talk to me, and for that I am grateful. The insights of dozens of individuals inform and enhance the analysis, arguments and explanations in my thesis. There are too many to mention, but I would like to thank Doug Chappell, Brian Chater, David Farrell, Al Mair, Bill Ott and Brian Robertson for their valuable assistance. I extend a special thank-you to Kirk LaPointe, who freely shared his time, theories and sources with me.

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CHAPTER ONE: SAME OLD SONG

Used to have a town but the factory moved away
Down to Mexico where they work for hardly any pay
Used to have a country but they sold it down the river
Like a repossessed farm auctioned off to the highest bidder

-- 'Mighty Trucks of Midnight'
Bruce Cockburn

It was a warm June day in Ottawa.

But inside the Commons, things were just beginning to heat up.

Sheila Finestone, Liberal communications and culture critic, had picked a verbal sparring match with Trade Minister Michael Wilson over the fledgling North American free-trade talks.

The Montreal MP said the United States and Mexico had won exemptions for certain economic sectors in early stages of the negotiations.

'Why has this minister and this government not been able to get the cultural industries off the table?'

demanded Finestone, leaning forward, jabbing her finger in the air for emphasis.

As guffaws arose from the government benches, Prime Minister Brian Mulroney chuckled and shook his head, grinning widely.

Wilson stood, adjusted his crimson tie and did his best to debunk his opponent's argument. But it seemed the minister -- a normally unflappable veteran of the daily question period -- had heard this sort of query once too often.

And he let Finestone know.

'If she would only close her mouth and open her ears,' said a visibly agitated Wilson, cupped hands outstretched, 'she might hear something about what I'm saying.'

The trade talks, he asserted, 'will not include negotiation of the products of our cultural industries.'

Nineteen ninety-one had been a tough year so far for the governing Conservatives. Still reeling from the collapse of the Meech Lake constitutional accord the previous summer, they had weathered the introduction of the widely despised goods and services tax and sent Canadians to battle for the first time since the Korean War.

Despite a swift conclusion to the Persian Gulf War, the Tories remained mired in the basement of the public opinion polls.

In the speech from the throne that opened a new session of Parliament that May, the government touted free trade with Mexico as a key ingredient in creating a significantly more prosperous nation by the turn of the century.

An agreement between Canada, the United States and Mexico would cover 360 million consumers and \$7 trillion in production, creating the world's largest trading bloc.

That same week, as U.S. legislators debated whether to proceed with fast-track negotiation of a deal, powerful American motion picture lobbyist Jack Valenti said that if Canada didn't agree to include cultural industries in the new deal, the United States should walk away from the table.

For many critics of the 1989 Canada-U.S. trade agreement, the debate surrounding the new set of talks had an all-too-familiar ring in an era in which the United States jealously guarded its dominance in the entertainment business.

The cultural lobby was quick to act, telling Ottawa flatly that it must keep culture off the table.

The government maintained that it had kept the cultural industries out of the original talks and would do so again.

But some were skeptical. And others scoffed that the Canada-U.S. deal didn't even grant the Canadian cultural community a clear-cut exemption.

The agreement states that key cultural industries are exempt from the deal, but cryptically adds that the United

States can take measures of 'equivalent commercial effect' when Canada initiates a program to bolster the cultural sector.

Critics said Canada would be forced to pay for a new cultural scheme twice -- once to fund the program and once in the form of U.S. retaliation.

For the sound recording industry, there was a kicker: the tariffs on recordings imported from the United States would be phased out over 10 years.

The concession, included as part of one of four exceptions to the so-called exemption, touched off a divisive debate within the recording industry.

Some said the tariff removal would be meaningless since the industry is run on the principle of licensing music in different countries -- little physical product actually crosses borders.

Others feared it would spell the demise of the budding Canadian music business, eventually wiping out the manufacturing base and throwing distribution systems into disarray.

While supporters and detractors of the deal could be found in all segments of the record business, they generally fell into two camps.

On one side of the issue was a handful of foreign-owned record companies -- the majors -- that had long dominated sales, distribution and employment in the Canadian

market.

On the other side were the independents -- small Canadian companies that produced the bulk of recordings by domestic artists. Dozens of such firms, often working on shaky financial ground, depended on the foreign companies operating in Canada for distribution of their releases.

The independents feared that under free trade the majors would scale down their Canadian operations, phase out east-west distribution links and ship records up from the States.

More decisions would be made south of the border, fewer Canadian artists would be signed to contracts and musicians would head to New York, Nashville or Los Angeles to pursue careers -- just as earlier generations had done.

Indeed, the homegrown sector of the business was fragile -- small, underfinanced and nurtured on government support in the form of modest subsidies and Canadian content regulations for broadcasters.

The music business had long complained of getting short shrift from the federal government. While the film and book businesses received generous funding, recording usually got lost in the shuffle.

The retaliatory provisions of the trade deal raised the question of whether the record industry would ever be granted significant government support.

While the Tories insisted they would safeguard -- and

even bolster -- the cultural industries, their track record gave many cause for concern.

Marcel Masse, who held the communications portfolio for the lion's share of the government's consecutive mandates, was widely regarded as a knowledgeable devotee of the arts. But it seems his most ambitious plans were often thwarted at the cabinet table by less receptive colleagues.

Flora MacDonald, who held the post briefly, was similarly frustrated in her attempts to win passage of film-distribution legislation designed to secure more screen time for Canadian movies.

Perrin Beatty, who took over the job in 1991, boldly labelled the communications industries the ''CPR of the 21st century.''

Amid the brave talk there were some mild successes.

But the Tories also served up some disappointments: cuts to the CBC, a freeze, then a cut to Telefilm funding, elimination of postal subsidies to Canadian magazines and controversial changes to the capital cost allowance program for film investment.

All the while, there was grumbling from the United States about obstacles to American investment in Canada's cultural industries.

Shortly after Canada entered the new round of trade talks, there was a reminder that the free-trade agreement had not made the U.S. market any easier to crack.

Congress began considering legislation that would put severe restrictions on the number of foreign performers allowed into the United States.

The draconian bill was largely rewritten following widespread protest, including a major lobbying effort by the Canadian record industry. However, some interpreted the legislation as a pressure tactic to get Canadian cultural industries onto the free-trade table.

The trade ministers and negotiators working out the North American deal divulged few details of their closed-door sessions.

As the talks continued into 1992, record industry representatives put their faith in government assertions that the cultural industries would not be part of the talks.

"We know their position, so it's almost been a non-issue as long as they maintain that culture's off the table," said Brian Robertson, president of the Canadian Recording Industry Association, which represents the multinationals as well as Canadian-owned firms.

Al Mair, president of the Canadian Independent Record Production Association and a vociferous critic of the Canada-U.S. free-trade deal, also seemed to believe culture would be excluded from the negotiations.

Mair, who runs the Toronto-based Attic Music Group, the country's premier independent company, regularly met government officials involved in the talks as part of his

association duties.

They led him to believe ''there does not appear to be any major push by the U.S. to put culture on the table.''

It was too early to tell what a North American trade deal would mean for Canada -- let alone for culture or sound recording.

However, many had pronounced the first three years of the Canada-U.S. deal a disappointment -- citing plant shutdowns, layoffs and a severe recession. Even the agreement's supporters seemed discouraged.

The government maintained that the economic downturn would have been even worse without the agreement.

It was difficult, however, to gauge the initial influence of the deal on the recording industry. Some suggested it would take several years before the effects of the agreement would be clear.

But there were dire warnings, and a considerable body of evidence, that it would spell the end of the domestic record industry.

To get a glimpse of the future, one must turn back the clock.

* * *

Canada, you're gonna be sorry
Unless your vote defeats the Tories
'Cause Mr. Mulroney thinks that free trade's great
But we'll become the 51st state

-- 'Dump the Deal'
100% CanCon

It began like most political rallies. People sporting buttons emblazoned with the words No, eh? began to fill the small, dimly lit hall in Toronto that Thursday evening in November 1988 as organizers made last-minute preparations.

A tall, stylized cardboard cutout of the Canadian coat of arms was placed on the stage as helpers scurried about, tacking up decorations. A table near the door offered an array of pamphlets, posters and buttons. They featured cartoons and articles extolling the dangers of the Canada-U.S. free trade agreement which, four days before Canadians would head to the polls, was suddenly the central issue of a general election.

Within a couple of hours, the room was filled with about 200 people, most of them under age 30, who had come to listen.

Soon, the first guests took the stage.

Holding aloft the American Stars and Stripes, a tall woman draped in black quietly asked the audience, 'Will this be our next flag?'

With that, Maria Del Mar and the rest of rock band

National Velvet tore into a raucous version of their song, 'Another Day (In the Life of You),' screeching guitars competing with Del Mar's edgy vocals.

The forceful set of tunes that followed launched a night of performances highlighted by unabashedly patriotic musical reflections, biting political satire and passionate speeches.

The rally, the first in a series as the election loomed closer, featured dozens of local community figures and musicians whose styles spanned the popular music spectrum.

Author Margaret Atwood, publisher Adrienne Clarkson, women's rights activist Laurell Ritchie and MuchMusic TV host Laurie Brown were among those who appeared during the three-night Anything But Conservative revue at the downtown Rivoli club on trendy Queen Street West.

They had one common purpose: to engineer a defeat of the Conservative government's trade deal with the United States at the ballot box.

Many in the crowd were members of group that staged the rallies, the Canadian Youth Coalition -- a network of young people opposed to the trade agreement and the Meech Lake accord.

Each student, social activist and musician seemed to have his or her own reasons for opposing the deal.

But, in a sense, the rally was a unifying celebration of Canadian music -- a commodity many feared the cultural

provisions of the trade deal would undermine.

It was a night on which it seemed quite natural for a social activist to define what the music industry had to lose.

'Canadian performers have some opportunity here, now, to stake their claim with people who know the music they're talking about, understand what they're singing about and give them a chance,' said Ritchie of the National Action Committee on the Status of Women.

For Greg Keelor, the theme had special meaning.

The bassist for Toronto band Blue Rodeo enjoyed the benefits of having a major record company distribute his group's debut album across the country.

Before taking the stage, he paused to question whether that would have happened under free trade.

But as the election neared, Keelor saw a positive side to the debate.

'I think that the one thing good about this whole thing is that it's made Canadians reflect a lot more on what they want to maintain.'

CHAPTER TWO: CULTURAL CONUNDRUM

There's no Canadian dream, my friends
We have no Canadian dream
The radio blares and the music declares
We have no Canadian dream

-- Stompin' Tom Connors

Sinatra doesn't say a single thing about Prince Rupert
Streisand doesn't croon a single note about the Soo
Can't someone write a song to us?
A song that can belong to us?
That says O Canada, we love you

-- Wayne and Shuster

Garry McDonall was a rock 'n' roll rebel in the 1960s.

He thrashed away with some chums in a rock band called the Nomads, but was considered a music industry outlaw for an entirely different reason.

McDonall had the job of selecting the playlist at Edmonton top-40 station CJCA, and he encouraged deejays to spin Canadian records.

'I fought like hell with the program director to get

Canadian talent played because I was one. I had a band," recalled McDonall, president of the Alberta Recording Industry Association for five years during the late 1980s and early '90s. .

"And I felt that it would do us no harm at all, we would not lose listeners because we played a Canadian record. But the attitude was we would."

At CJCA, he said, even releases by Canadian unknowns got a fair shake.

McDonall fondly remembered discovering the 1966 single "Brainwashed" by Toronto's David Clayton-Thomas with the Bossmen. The group leader was bound for international fame as a future member of rock band Blood, Sweat and Tears.

"We played the heck out of it. And that was my call."

McDonall's enthusiasm for Canadian acts wasn't shared by most broadcasters, prompting the introduction of Canadian content regulations in 1971 to ensure a minimum amount of airplay of Canadian music.

Fast-forward almost two decades. The regulations have helped build a domestic recording industry. Alberta is home to stars such as k.d. lang and Ian Tyson. And Canada has just embraced free trade with the United States, striking fear into the cultural community.

While McDonall said Alberta talent enjoyed a broader base of respect from Edmonton radio stations, he felt radio in general was still giving Canadian talent short shrift.

'I don't think that has changed to some extent.'

McDonall said music directors relied too heavily on American record charts instead of their own ears when deciding what to play.

'So what records are they picking? Well, they're certainly not picking very many Canadian records, if any.'

'They're taking the whole element of community out of it.'

Greg Keelor of Blue Rodeo, the acclaimed country-tinged rock group from Toronto, recalled that before the advent of content regulations, Canadian radio only played domestic records that had gained acceptance in the United States.

Once New York stations began airing singles by Winnipeg's The Guess Who, Toronto AM station CHUM followed suit.

'But up until that time, you know, no one ever played Canadian music and no one recorded in Canada.'

Doug Chappell, Canadian president of England-based Virgin Records, played bass for Toronto group Richie Knight and the Midnighters in the 1960s. The group scored a No. 1 hit on the CHUM chart with 'Charlena' in July 1963.

The band was among the fortunate ones.

'In my years in the business, I can remember when a Canadian record would not get even listened to,' said Chappell. 'The regulation forced them to listen.'

While Canadian musicians have made significant inroads,

they still complain they are largely denied access to their own market.

The statistics are difficult to refute. As in the other sectors of the artistic community, Canada is a culturally occupied nation.

During each of the last several years, only about 15 per cent of the recordings released were considered Canadian content.

Independent record producer Clive Robertson underscored the statistical story at an Ottawa forum on free trade and culture in November 1988, one week before the divisive federal election.

'In some ways the free trade deal as it relates to culture is a sort of red-and-white-and-blue herring, only because not many artists that I know would like a trade agreement with their own domestic market.'

Brian Robertson, president of the Canadian Recording Industry Association, which represents multinational recording companies as well as the Canadian-owned sector, said free trade had long been practised worldwide in the record business.

'It's an international business and it will become even moreso.'

Gaetan Morency of l'Association du disque et de l'industrie du spectacle quebecois, the Quebec record industry lobby, said even the language barrier had not

stifled the influx of foreign-produced music into that province.

Quebec recordings accounted for only about 20 per cent of all sales. ''There's always been free trade to us,'' said Morency.

Their market flooded with foreign -- largely American -- recordings, television shows, movies, books and magazines, Canadians have traditionally embraced these cultural products.

Yet, when they have had a choice, Canadians have shown equal enthusiasm for homegrown entertainment and artistic expression.

Playwright and author Rick Salutin put forward an explanation of the phenomenon in a 1987 speech delivered at the invitation of the Manitoba Coalition Against Free Trade.

''People have economic needs -- and they have cultural needs -- along with political needs and social needs,'' he told a crowd on the steps of the Manitoba legislature. ''There is a yearning, almost like a physical yearning, for things that speak to us about who we are, what our lives are about and how we are connected to others.''

The heated debate over whether culture was on or off the free-trade negotiating table infuriated some critics who protested the notion that culture could be set aside as if it were a separate slice in the Canadian pie.

Ensuring protection for the cultural industries, they

argued, did little to ensure the survival of that elusive intangible known as Canadian culture.

As Salutin said in his speech, 'Brian Mulroney's government says to the Americans -- 'Don't worry, we'll define culture as narrowly as possible. You know, a few plays, some novels, some poetry.'

'Well, we say to Brian Mulroney, 'You can't define culture that narrowly.'

'Culture is part of what we are and what we do.'

Bernie Finkelstein, manager of Toronto folk-rocker Bruce Cockburn, addressed this broad notion at a February 1988 forum on free trade and the record industry taped in Toronto for later broadcast by City TV's 'New Music' program.

He expressed fears the trade agreement would alter the very nature of the nation for the worse. 'Culture isn't something that a country owns. Culture is the country.'

And that fact has direct implications for musicians. 'Music reflects this country,' said Finkelstein. 'It's clear to me the country they're going to reflect is not going to look like the one that we're dealing with now.'

Salutin pondered the implications for artists on the legislature steps.

'Under the 'harmonization,' as they say, of our social and economic policies and the gutlessness of our political leaders, what would we want to reflect, what pride could we

take?

'Think of Ireland. Think of Poland. Is that the kind of culture we want for Canada -- laments for a society that might have been?'

Martin Katz, a professor of labor and business law at the Universite de Moncton, outlined what Canada stood to lose under the trade deal in the 1987 collection of essays If You Love This Country:

. . . Canadian culture is actually a collective mindset constituted by and including such phenomena as: federally regulated banks; publicly funded egalitarian universities; publicly funded, non-military scientific research, stabilizing, centrally planned agricultural boards; meaningful mandatory automobile insurance; strict firearm regulation; strict environmental protection legislation; paternalistic health and safety legislation and administration; historically motivated regional support and transfer payments; the Trans-Canada highway; bilingualism; multiculturalism; centro-regional tension; five-and-a-half time zones; snow.

The government's encouragement of closer links to the United States came, ironically, at a time when many in the industry felt Canadian recording artists were coming of age -- the result of a steadily maturing, if fragile, music business.

In this sense, a free-trade agreement -- particularly one that endangered the embryonic record business -- seemed to be a step backward about 20 years to a time when Canadian artists were just beginning to persuade themselves, and others, that their own stories were worth telling.

The period produced a remarkable song that was again

timely. ''American Woman'' by Winnipeg's The Guess Who was the top-selling single of 1970 worldwide -- an anomaly in the days preceding content regulations.

The hard-driving rock song mines a familiar vein of Canadian art, expressing the nation's identity by pointing out what it isn't, and cloaking the message in anti-American sentiment:

American Woman
Said get away
American woman
Listen to what I say
Don't come hangin' around my door
Don't wanna see your face no more
I don't need your war machines
I don't need your ghetto scenes

''You know, American Woman was a right-on song,'' said Randy Bachman, former Guess Who songwriter and guitarist, in an interview on the ''New Music'' TV special. ''It's still viable today: We don't need your war machines. We didn't need your ghetto scenes. We don't need the immigration problem that the United States has, and if we become even an appendage of theirs, I think we're inheriting a lot of problems.''

Bill Ott, a vice-president at A&M Records Canada, whose parent company is based in California, stressed that national borders were largely irrelevant in the cultural industries.

In an interview at the company's offices in suburban Scarborough, Ont., Ott cited the film business as an

example.

'We have a burgeoning movie industry here in this city,' said Ott. 'And a lot of the specials that you see on American television today are filmed in Toronto.'

'It looks just like the downtown core of Los Angeles when you go take a look at Yonge and Bloor.'

But as Toronto author Robertson Davies points out in an article penned shortly before the 1988 election, Hollywood North is not without its distinctive quirks.

Robertson tells of an American film crew shooting street scenes in 1987. It spread some rubbish on a road in order to 'Americanize our Toronto street.'

The crew then broke for lunch.

'While they were away, some of our street cleaners appeared and were greatly affronted,' writes Davies. 'What a dirty street! So they cleaned it up, and when the film crew returned all their splendidly atmospheric dirt had been carted away, and they were furious.'

Clean streets, universal social programs and sensitivity to the environment were among the national virtues some musicians decided were worth defending in an effort to build a caring country.

'I'd like us to be even more that way,' said Keelor. 'In a vague way it's a nationalistic thing for me.'

Wariness of the trade deal was widespread in the Canadian cultural industries. Many recording artists were

concerned about their livelihoods and the ramifications of the deal for Canada.

The storm of opposition to the agreement sparked several protest songs: ''Free Trade'' by eastern Ontario seer Alex Sinclair, ''Living Next to a Candy Store,'' by folksinger Valdy, ''Sons and Daughters'' by Toronto rockers Chalk Circle, and a pair of tunes -- ''Dump the Deal'' and ''Mr. Mulroney'' -- by an ad-hoc group of 25 artists billing itself as 100% CanCon.

Richard Underhill, leader of Toronto jazz-rock combo the Shuffle Demons, helped spearhead the 100% CanCon cassette and video project after the Ontario Environment Network asked his group to perform at an anti-free trade benefit.

''That's when we wrote the songs and then later on we recorded them and tried to distribute them a little bit, anyway, before the election.''

The video accompanying ''Dump the Deal'' received limited airplay on MuchMusic, the national music television channel.

Kurt Swinghammer, who sang on ''Dump the Deal'' and drew the cassette's cover art -- a beaver giving the thumbs-down sign next to an eagle clutching a document in its talons -- said he had supported a number of political concerns previously.

''But this was the first time I've thought, 'Yikes, . .

. the nature of the country that I live in could really change and I want to make sure that I get a chance to say what I feel about it.'''

While musicians banded together to voice their worries about the trade deal's implications for the environment, social programs and the nation's political sovereignty, they also expressed fears that Canada could revert to its former status as the musical backwater of the North American scene.

Keelor mused that even if Blue Rodeo -- whose records were released throughout North America and beyond -- had no recording contract, it could always be a Toronto bar band.

Still, young Canadian musicians realized their fortunes were inextricably linked to the health of the recording industry.

Composed of two main elements -- dozens of Canadian labels operating on tight budgets and seven profitable multinationals with marketing clout -- the business has muddled along in symbiotic fashion.

While the characteristically money-losing independents, or farm labels, often discover and develop marketable talent, the multinationals -- such as Sony, PolyGram and Capitol -- distribute the artists for a fee and, occasionally, snatch up a ripe talent for themselves.

But the multinationals' primary source of revenue in Canada is the sale of foreign repertoire -- the Michael Jacksons and Bruce Springsteens.

Canadian musicians worried amid much speculation that the multinational companies would close up shop once tariff reduction on recordings under the trade deal made it more economically attractive to ship product north from the States.

Most unsigned musicians, such as Swinghammer, had their initial sights modestly set on being signed by a small Canadian label.

But for most independent labels and their rosters, the multinationals are crucial.

If the multinationals were to leave Canada, the onerous task of distributing an emerging talent's first independent recording to stores from Victoria to St. John's, Nfld., would become much more difficult and expensive.

In place of their rather extensive east-west distribution networks, argued critics, the multinationals would merely operate the odd sales office in Canada.

Only enough staff would remain in Canada to ensure smooth operation of the new north-south shipping routes--for instance, from Seattle to Vancouver.

For a time, musicians seemed more concerned with trade routes and tariffs than with guitar licks and lyrics. The preoccupations reflected the age-old tug of war between art and commerce.

But the emphasis on commercial matters such as distribution and marketing also highlighted the degree to

which the concept of culture had changed in our society.

In his perceptive article, 'What Does Canada Want? or L'histoire sans leçon,' Jean-Pierre Desaulniers of the Université du Québec à Montréal argues that the contemporary notion of culture has shifted radically. Culture is no longer equated with what is produced in a given society--namely the collective know-how traditionally transmitted from parent to child -- but with what is consumed.

'Culture is being put on the market,' he writes.

While Desaulniers says the phenomenon 'involves nothing less than a democratic takeover of culture,' fulfilling the ideals of the Renaissance implemented through the invention of the printing press, he stresses there is a steep price.

With commercialization, he argues, comes the manufacturing syndrome, the mass production of the Harlequin Romance or the 325th TV episode of Little House on the Prairie. 'But the copy is inevitably paler than the original. And each copy is re-copied until nothing is left.

'The true compromising of culture through commercialization does not come as much from the Americans as from native Canadians and others who systematically copy American products, just adding a little local color, but otherwise modifying them as little as possible.'

Lamenting that the era 'when one could speak of culture in terms of regional color is well and truly past,'

Desaulniers urges the distribution in Canada of a range of cultural products offering a variety of perspectives. He also advocates development of a regional identity in place of a standard set by the style of American producers.

Ardent cultural nationalist Susan Crean agrees in her 1976 book, Who's Afraid of Canadian Culture?

Only from a position of strength and self-reliance will Canada break out of its "passive isolation within the orbit of the U.S." to make its own contributions to international culture, she argues.

In the process, Canada must make an effort to define its own idioms and ideals, she says. Canadians must be mindful of the difference between the positive nationalism that strives for a democratic form of self-determination and the reactionary nationalism that tries to impose its will on other groups and cultures, writes Crean.

That means resisting European and American concepts of national culture being a single, unified entity, which fails to mesh with Canada's highly regionalized culture. "We have, as Canadians and as a culture, a sensitivity to differences and regions that few other societies have. Far from being a defect or a constraint, this is a civilized cultural habit and an asset that could become a great liberating force."

At times, this notion seems completely lost on Americans, leaving many Canadians convinced their southern

neighbors are issued cultural blinders at birth.

One disturbing byproduct of this sensibility is 'God Bless

Canada,' a rewrite of the song 'God Bless the U.S.A.,' a patriotic tribute to war veterans written by flag-waving American country musician Lee Greenwood.

In an article published on Canada Day 1989, Toronto Star pop music writer Mitch Potter startled readers with Greenwood's account of how he mutated his patriotic ditty in appreciation of the efforts of Canadian war veterans.

Greenwood explains he had spent a weekend at Camp David and the White House with U.S. President George Bush, during which he asked Bush his opinion of 'God Bless the U.S.A.'

'He recommended I release the song in Canada, saying, 'I think it will only strengthen the ally we have to the north.''

The Canadian version of the song substitutes references to American cities and states with descriptions of Nova Scotia, British Columbia and Winnipeg.

'The point of having the same song with different lyrics is the unification of the people. I mean, ultimately, to have one big country is a dream, and with Canada's Parliament and our Congress it may never happen,' Greenwood told Potter.

'But we have so many similarities -- particularly in light of the free-trade agreement -- that a common currency

would really be neat. We'll all work to that end.'

But Canadians have long sought to define their own reality. As Desaulniers writes, 'An American singer like Bruce Springsteen has a message which is directly intended for Americans, as in the song 'Born in the U.S.A.'; people must thus get used to understanding each work in terms of its own orientations.'

When culture was discussed during the free-trade negotiations, there was a great gulf between what the Canadian negotiators were talking about and what the American negotiators were hearing, said Doug Coupar, spokesman for the Alliance of Canadian Cinema, Television and Radio Artists during the talks.

'To an American ear, they figure we're talking about entertainment industries,' said Coupar, a former pop music reviewer, whose organization spoke for more than 10,000 writers, performers and broadcast journalists during the trade debate.

'And so right away there's a big gulf because the Americans . . . still can't understand why we would be so adamant about protecting 'the entertainment business.' And, obviously, in Canadian terms it's a lot more than that because we're talking about the entertainment business, but we're also talking about a cultural dimension to that which involves our own sovereignty,' said Coupar.

While the U.S. trade negotiators eventually came to

understand the importance cultural industries held for Canadians, some American officials never seemed to fully understand the concept of cultural identity.

Said U.S. ambassador Thomas Niles in February 1987 with the talks fully under way, ''Canadians have nothing to fear because there is no link between sovereignty and culture.''

While that attitude has adherents in Canada, it is roundly rejected in most quarters.

''We're not just another cultural market like the U.S.,'' one Canadian government official involved in trade issues said in an interview. ''I mean, we have differences. Americans don't see it that way. They see it very much in business terms,'' added the official, who asked not to be named.

Said Ott of A&M Records, ''I think the Americans do business based on an availability or a market necessity -- a need. They fill it and they're not worried whether it's free trade or not free trade.''

David Oakes, a Toronto-based radio programming consultant, said the American music business was oblivious to Canadian concerns about cultural domination.

''Canadians are very insular in looking at our identity,'' said Oakes, vice-president of the audience research division at Joint Communications, which, as consultant to about 70 radio stations across North America, is one of the largest operations of its type on the

continent.

'It's very nebulous and very hard to put your finger on a Canadian identity. Now when you talk to an American, they couldn't give a damn,' said Oakes, who holds a master's degree in international trade and econometrics.

'Canadian identity? Who cares? You sell records is what you do. To hell with Canadian identity.'

Oakes feared that as the stakes rose for Canadian recording artists and companies under free trade, Canadians would have a formidable foe in American ethnocentricity.

'What I'm saying is, you won't get this regional aspect that has really helped the independent labels, you're going to get a real problem developing here, because it's going to be hard to produce and market Canadian acts because nobody's going to want them.'

Ria Ortman, office manager of Toronto-based Current Records, said nationality could be a drawback for Canadian bands seeking success with an American label. 'I don't know whether you call it patriotism, or what, but Americans would rather pick up American bands.'

Kirk LaPointe, Canadian correspondent for New York-based Billboard magazine during the negotiations, said America was the most chauvanistic market in the world.

'We're a little more open-minded to listening to material from Britain or Australia.'

Marcelle Gibson of the Communications Department's

sound recording division observed that ''certainly nobody's going to pretend that America's at all concerned with Canadian identity and culture.''

Canadian Recording Industry Association president Brian Robertson said that the extraordinary cost of making records forced domestic artists to aim them at the international marketplace in order to recoup expenses.

''The number of recordings that are made solely for this market are very few -- very few,' ' he said bluntly.

Coupar railed against the conventional wisdom espoused in the recording industry that artists must shoot for the global market in order to compete. ''When people talk about the world market, they usually mean the American market.''

Indeed, U.S. consumers account for about one-third of all recordings purchased worldwide.

Coupar said Canadian musicians were ''dreaming in Technicolor'' if they thought American companies saw them as anything but regional artists.

''If there's some reason for an American corporation to think that a Canadian artist can be exploited commercially in the main market, which is the United States, then of course they'll sign that artist,' ' said Coupar. ''And that artist will be promoted in the United States as a generic artist.''

Oakes pointed out that Vancouver's Bryan Adams, who became an international rock superstar in the mid-1980s with

his multi-platinum album Reckless, wasn't recognized as Canadian by American listeners.

In the course of interviewing American kids on their musical preferences, Oakes has asked them where Adams is from.

'When you say he's from Canada, they go, 'What?! Come on!' They don't know anything about Canada. The amazement to me is that Canadians actually think that Americans should know something about Canada. Why the hell should they? They're trying to fit everything into their culture.'

Conversely, the Canadian music industry now had to slot its talent into the transnational, American-dominated cultural scene.

Oakes said Canadians identified with artists like Adams and teen pop idol Corey Hart, even though they take a somewhat generic approach to their music.

'There is a good feeling that's produced simply because they're Canadian.

'Although if (Adams) didn't have this sort of universal approach to his music as well, he wouldn't be as popular,' said Oakes.

Said longtime Manitoba record producer Ron Lamoureux, 'A lot of what sells in the world now is based on what the Americans are doing in terms of their industry.'

The United States is responsible for literally inventing many of the styles -- from Delta blues to rap

music -- Canadian musicians hold most dear.

But the American record industry has often been criticized by smug Canadians as, at best, opportunistic and, at worst, a purveyor of puerile pap.

Coupar said the American product celebrates mediocrity.

'What's available in the United States for commercial exploitation is actually a very narrow band of product.

'If you try to make everything appear the same, and if you try to narrow people's preferences to a very narrow strip, no doubt you get pretty sick and tired of it after awhile.'

LaPointe disputed the notion all American music sounds the same.

'We only get the cream of the crop from the United States,' he said, noting that each city and region of the country generates different styles.

'So I think we run into a problem when we try to generalize about how we're inundated by all this American music. We're not,' said LaPointe. 'We're only really seeing their tip of the iceberg as well.'

But even the tip of the American musical iceberg threatens to sink the best intentions of a Canadian industry that has yet to come to grips with its own musical diversity.

Ian Tyson, Alberta's stalwart singing cowboy, gained a better national perspective during a cross-country tour.

' 'Sometimes I wonder if people in Newfoundland know what I'm singing about, if I'm in another country with another language,' ' he told a Vancouver newspaper.

And the difficulties run east to west, as well.

' 'As far as the Atlantic region, we've always had a difficult time down here getting our products out,' ' said Nando Speranza, chairman of the Atlantic Music Producers Association.

Statistics indicate that only about two per cent of record industry revenue is generated by companies based outside of Ontario or Quebec.

Lamoureux, a past-president of the Manitoba Audio Recording Association, said his province possessed a wealth of musicians exploring the avenues of rock, country, heavy metal and francophone music.

' 'There's a lot of talent out West that's not being tapped at all.' '

Morency, of the Quebec industry association, said that after a dry spell in the early to mid-1980s, Quebec recording artists were once again beginning to assert themselves in substantial numbers.

Some francophones, such as young starlet Celine Dion, had begun singing in English in an attempt to win over the rest of North America.

But others, said Morency, were determined to break into English markets while continuing to sing in French.

This despite the fact American broadcasters and consumers have rarely warmed to non-English recordings.

English Canada has been only slightly more receptive..

'It's an optimistic point of view,' conceded Morency.

But Ott, of A&M, believed an artist shouldn't specifically aim for an international sound.

'You produce music that's good,' he said. 'And I believe there's a home for every artistic endeavor there is.'

But the bottom line reads somewhat differently.

'I think you have to sound like an international band to make it internationally,' said LaPointe. 'I don't know of any truly indigenous Canadian music that's made it.'

The closest thing, he said, was probably legendary Toronto group The Band. 'And yet The Band were very American rock 'n' roll.'

While there's evidence the tide has shifted somewhat over the last 20 years, it wasn't too long ago that Canadians, including The Band, were forced to seek their musical fortunes in Los Angeles or New York.

An entire generation of talented Canadian pop musicians headed south in the 1970s and were adopted by the American audience as their own.

While Robbie Robertson and his mates in The Band spun tales about the American South, Joni Mitchell gained fame as a leading exponent of the laid-back California folk sound.

As LaPointe noted, while Gordon Lightfoot's listeners at home swelled with pride to the tune of ''Canadian Railroad Trilogy,'' it was the quintessential Canadian musician's love ballads such as ''If You Could Read My Mind'' that scored on the American charts.

Lightfoot and Nova Scotia's Anne Murray notwithstanding, confidence in Canadian music, even north of the border, was virtually non-existent at the time, especially among broadcasters.

David Farrell, publisher of the Canadian industry publication The Record, said broadcasters possessed ''a really bad attitude'' toward Canadian product at the time. ''It was perceived as inferior and a waste of time. So we killed a lot of entrepreneurial spirit or exported it.''

During the late '80s, Coupar and ACTRA advocated a climate in which an artist who wants to work in Canada could afford to stay here. ''I would argue most Canadians are aware of how important it is to keep Canadian artists in this country,'' he said.

Coupar agreed it is likely more profitable for an aspiring musician to head south.

''But if you're going to do that anyway, why in the world would you stick around this country? Or to use the American understanding of this country, why in the world would you stay in this region? Why not pick up and get out of here and go to New York or Los Angeles?''

LaPointe said advances in technology have improved communication links to the degree that it's largely unimportant where an artist is based today.

Instead of suggesting a Saskatoon rock band like the Northern Pikes move to New York, said LaPointe, the Canadian arm of a multinational might suggest the members relocate to Toronto.

While that notion doesn't always sit well with provincial associations that would like to see the industry branch out from Toronto, it's an improvement over the past.

'I think that, you know, a large part of why Blue Rodeo is successful is because of . . . just being able to nurture itself in Canada, and that there is such a strong market here now,' said Keelor.

Shuffle Demon Underhill said it's important to foster that burgeoning domestic scene, 'and then we can go out and compete with the world.'

As Finkelstein explained to the 'New Music' forum regarding Bruce Cockburn's success, 'We put out 11 albums before we had our first top five record in the States. And it was this country, for better or for worse, that kept that going so that something happened.'

But Oakes said the best way to crack the American market remained relocating there.

That feeling worried Lamoureux, who had seen a number of Winnipeg musicians head for the studios of Los Angeles.

Under free trade, he theorized, it could get worse. ''What it may do is pull some of the creative elements out of the city here that are starting to grow, and that may pose a problem.''

Ortman said Canadian bands still felt the lure of the glittery stateside music scene.

''I definitely see a link to free trade in that,'' she said. ''I have some friends that have recorded in the States and that's a lot of the attitude now.

''I personally think it's selling out,'' said Ortman.

Dying unrecognized, like Schubert or Mozart, does not constitute success, said classical composer Murray Schafer at a 1986 conference on free trade and the recording industry in Ottawa. ''Success in the arts is being discovered while you're still around. But it's just that it's harder for us in this country to be discovered because the people who are making the discoveries are not particularly looking in Canada for the talent.

''It happens occasionally, usually when Canadians go abroad. It certainly doesn't happen when they stay here.''

Canada is a great place to be a recording artist if you happen to be doing something different, said Coupar.

''And there are many artists who fit that bill,'' he added, pointing to singer/songwriters such Cockburn and Jane Siberry, both Torontonians, and Nova Scotia's Rita MacNeil.

''You can make a living here doing it if you really

like the Canadian audience and want to create for it first and foremost," said Coupar. "I don't take very seriously the myth that we're so small, that you can't do anything here.

"It requires a commitment, it requires a little determination and a real level of comfort about who you are and what you're doing."

Coupar argued that away from the American machinery of pop music stardom that chews up artists as fast as it turns them out, Canadian artists can toil more constructively.

"We can support our artists through their entire lifetimes. We can enjoy them for years and years and years.

"Presumably a Jane Siberry is going to be as interesting when she's 60 as she is now when she's 30. Quebec artists have had that level of understanding and support from their audiences for years. It's just a different approach, completely."

The Record's Farrell disagreed. "The fact is that one can only be so successful in this market for so long, after which you just self-destruct. People become bored with you," said Farrell, singling out such acts as Newmarket, Ont., pop group Glass Tiger, Toronto dance band Parachute Club, and singer/songwriter Kim Mitchell.

"They can only do so many national tours and sell so many records before their career drops," insisted Farrell.

"It would be nice to say that Kim Mitchell could tour until

he was 60 and continue making records that were successful in Canada.'

But Ray Danniels, manager of the internationally successful hard rock group Rush, from Toronto, rejected the idea that such acts are mediocrities whose success has been made possible only by content regulations for broadcasters.

Danniels went one step further, arguing that the regulations were a minimum cap on airplay of Canadian talent, not an artificial maximum.

'There's numerous Canadian artists that have never really cracked the States and yet time after time come up with platinum records in this country -- not because Canadian content is in their favor,' said Danniels at the 'New Music' forum on free trade.

'No radio station in this country that I'm aware of plays in excess of their mandate, no matter how many Canadian records there are. So, then, you're talking about a country, the only country in the world that has a maximum on its talent as much as it has a minimum. And yet these acts sell time after time. There must be Canadian culture.'

Jack Feeney, the dean of the Canadian country music industry, spent 15 years at RCA Records Canada as a producer, promoter and sales manager, helping develop the careers of country pioneers Wilf Carter and Hank Snow.

He recalled going to Nashville to try to drum up support from the parent company for Canadian signings.

''They didn't interfere. Mind you, it was a bit of a fight sometimes, but as long as I could give a good reason for doing things, they allowed me to do it,'' he remembered. ''When it comes right down to it, I think they were actually more than fair about that, you know, in developing Canadian talent.''

Once the acts proved themselves in the Canadian market, he said, they were often later released in the United States and England.

Farrell said the days of starting out small may be over because domestic artists have been singularly unsuccessful in cracking the American market while signed to Canadian recording deals.

''It's just a tough market there. They hardball,'' he said.

Consequently, said Farrell, there may be an increasing number of record deals in which decisions on artist choice and marketing strategy are made in tandem with head office, or solely by the parent company.

Today, RCA has a new name, BMG Records, and a new, German owner.

But the company has remained an active player in country music, and Nashville still wields clout.

Dave Platel, vice-president of marketing at Scarborough-based BMG Records Canada for most of the first year of the trade deal, said the economics of the Canadian

country scene didn't allow the company to make much profit on its homegrown artists.

'So what we're going to be doing is looking to sign jointly to Nashville and . . . Toronto and we're going to involve our U.S. people. In fact, . . . we've done that so far with a couple things.'

When signings involve high six-figure budgets, they are often best left to the parent operation because, should the act fail, it's better equipped to absorb a loss.

'If that spells more success for our acts that has to be a plus of sorts,' said Farrell. 'I mean, to put the shoe on the other foot, without free trade we were fast going nowhere.'

In the free-trade era, said Farrell, the stakes are growing for Canadian artists and, eventually, there will be two camps: one for big winners, one for big losers.

'We don't seem to be able to find a happy medium,' he said.

But if a single North American music market is inevitable, how will Canadian artists fare?

Who will be in a position to promote the interests of the artists in the market's northern region?

Al Mair, president of Attic Music Group, the country's most successful independent company, argued that support from the American branches was crucial if a Canadian artist were to succeed stateside.

Mair cited two Toronto acts, peroxide rockers Platinum Blonde and pop singer/songwriter Gowan, that were released by multinational labels in the States with little backing.

'So they got a release in name and no promotion, and died a quick death,' said Mair.

'There are all sorts of reasons why the American company won't get behind them -- the biggest one being the cost.'

Stan Kulin, president of Warner Music Canada -- widely regarded as the class of the multinationals in Canada-- said the Canadian market was still an important proving ground for domestic talent such as Warner signing Blue Rodeo.

Success at home is a prerequisite when bands are being shopped around for release in other countries, said Kulin.

'The first question you do get asked is, 'How well has it done in the domestic market?''

On the strength of the critical and commercial success of its first album in Canada, Blue Rodeo's second release was promised a big promotional push from Atlantic Records in the United States and company branches in Europe, said Kulin.

But while Diamond Mine went double platinum in Canada, selling more than 200,000 copies, it barely made a dent on American charts, despite favorable reviews. Casino, its third album, seemed bound to suffer a similar fate.

Chalk up another one to the vagaries of the American market.

If it is difficult for a Canadian act signed to a major label to succeed in the United States, it is infinitely tougher for independent artists.

At the 1986 conference on free trade, Ottawa folk musician Ian Tamblyn discussed the nightmarish problems he encountered marketing a record through a Los Angeles firm.

The album was recorded in Canada and was to be manufactured and distributed by the California company as a tax-shelter project.

About 10,000 copies of the record were released featuring Tamblyn on one side and the Denver Philharmonic orchestra on the other.

'It was an accident in the pressing plant, I guess,' said Tamblyn. 'Needless to say, the record didn't do that well in the United States.'

Tamblyn has crafted songs using unique Canadian sounds, such as birds recorded in the wild.

But, more commonly, Canadian recording artists are criticized at home for copying foreign sounds.

'We don't have that sort of . . . strength of what a Canadian is,' said Keelor. 'We've been travelling a lot lately and in Europe we end up saying we're not Americans and in America we say, 'No we're not British.' You know, so that's what a Canadian is.'

Farrell said bands such as Glass Tiger, while occasionally securing top-10 hits in the United States, are guilty of mimicking American acts with a sound that's 'intrinsically homogenous.'

But as Tennant pointed out, Canadian radio has been a willing accomplice, granting airplay to acts that have American appeal.

'Sometimes stations won't even play a Canadian act and we'll show them radio stats or sales statistics from the States and they go, 'Well, we'll take another listen.' This is a Canadian act, you know, but it's doing better in America. Sometimes that does happen and that can benefit us, too.'

Said McDonall, 'I don't think you get anywhere emulating. I think you have to try to set trends. We gotta find our Canadian identity.'

But when it comes to music, Canada sometimes fails to take itself seriously.

Toronto Star classical music critic William Littler noted that cellist Ofra Harnoy had become the toast of Europe, widely applauded for her artistry. But the attractive blonde's glamorous image seemed to embarrass the musical power brokers in Canada, he mused.

'Although you wouldn't know it at home -- where the Toronto Symphony seems curiously reluctant to give her 'mainstage' treatment -- the young lady with the curly locks

is fast becoming one of the most popular string players of her generation.' ' Toronto-based Music Express magazine, one of the largest music periodicals in the North American market, also seems to regard Canadian talent as unworthy of considerable attention.

The publication includes substantial coverage of Canadian artists in a section included only in its domestic edition.

In the edition Americans read, Canada is given the same amount of space as cities such as Los Angeles and Minneapolis.

During a 1989 television interview, Margo Timmins, singer for Toronto country-pop band Cowboy Junkies, criticized the Canadian media for praising acts only after they'd received the American stamp of approval.

' 'So much of our culture is Americanized -- I mean our TV and everything and I think that in a way, we're sort of the little brother role,' ' she said. ' 'You know, you look to your big brother, 'Is this O.K.? Is this O.K.? Is this cool?' And if the Americans tell you it's cool then it goes.' '

The Junkies' first major-label release was a huge success with college students in the United States.

Platel, who worked at BMG Records, the Junkies' label, during the band's rise up the charts, said the group had a charismatic presence performing live ' 'and they command an

unbelievable silence in the audience because their music is so laid back, if you will.'

But Swinghammer, a familiar face on the same Queen Street West turf where the Junkies learned their craft, said the band didn't always garner such respect. 'They were playing terrible bars here where everybody was yakking and really noisy. And they do a tour of the States, they get on 'Saturday Night Live,' they come back, they play The Diamond and everybody's quiet and they're listening to them,' Swinghammer said. 'I think it's a kind of stupid phenomenon.'

Platel, though, was correct on why the band, with its lilting versions of blues and country tunes, had become successful. 'One of the reasons why they're appealing to the American marketplace is because of their niche. They're just in a place where nobody else is right now.'

The Canadian pop artists that have enjoyed critical success during the past few years have much in common. They are all hard-working acts who have struggled up from the street. But, more important, bands such as Blue Rodeo, Cowboy Junkies and The Pursuit of Happiness each have something unique to offer.

While industry members acknowledge the niche carved out by folk-oriented artists such as Lightfoot, Murray McLachlin and Ian and Sylvia Tyson, the business is split on whether there is an identifiably Canadian sound to the country's

contemporary pop music.

Adrian Heaps, vice-president of Toronto independent label Duke Street Records, said the fact an act is Canadian is incidental. 'Canada's the only country that says, 'That's a great Canadian record.' And yet any other country in the world, you know you'll hear it, 'Oh, that's just a great record.' And that is a function of the Canadian identity. It's not a function of the industry or the music.'

It seems the so-called Canadian sound is as difficult to pin down as a phantom.

'There was a certain Canadian sound,' said Tennant. 'I don't know what that sound was, but there's a certain thing that Canadian bands were doing that sorta made them sound like a Canadian band, you know.'

Coupar was equally imprecise. 'They sound different. They sound like they come from here.'

Some say Canadian music has a European tinge.

Underhill said it's generally less slick than American pop.

'We have created some very different, very good acts,' said Chappell.

A prime example is Rita MacNeil, signed to Chappell's Virgin label, but only for Canada.

'That was not our preference,' said Chappell, but the Virgin operations in England and the United States didn't

want to take her on.

While he refused to provide details of the arrangement, which involves distribution by A&M Canada, Chappell said MacNeil's deal was structured ''in such a way that I've never seen one like it before.''

She has since been signed for the rest of the world by England-based Polydor Records. But her overwhelming base of support remains Canada.

Bruce Allen, Bryan Adams' manager, suggested at the ''New Music'' forum on free trade that MacNeil's Maritime-flavored pop may not have reached a national audience at all if not for the flexible, if fragile, infrastructure of the Canadian industry.

''I just wonder if Rita MacNeil, for instance, could've shopped her tape in New York or Los Angeles and anyone would've understood it.

''And I just wonder if we'd have just missed that. We'd have missed Rita MacNeil. We'd have missed that because she couldn't have gotten her music out. And that's quite frightening.''

But Ott downplayed the notion her music is in some way impenetrable to Americans.

''Rita has a sound that's really indigenous to the Maritimes, the region that she comes from, but her message is universal.

''So while she hasn't had any success yet in the United

States, that's not the result of being Canadian. It's the result of not having had the right amount of exposure over the right period of time.'

But MacNeil wasn't singing from the same songsheet, saying in interviews that after working 20 years to become a star in Canada, tackling the American market would be like starting over from scratch.

But as a case in point, Ott pointed to A&M children's artist Raffi, the king of North American kiddie pop during the 1980s.

'His message is not Canadian. His message is not American, certainly. It's universal. He speaks to kids. He speaks to them in a language they understand,' said Ott.

'And it doesn't matter whether he is north or south of the border. You just have to devote the time and the marketing expertise and all the same elements that made him big in Canada work in the U.S., with some nuances, obviously.'

But while there may be nothing distinctively Canadian about Raffi's lyrics, the revival of quality children's music during the 1980s was spearheaded by Canadians.

Some of the most popular North American children's acts, including Fred Penner and Sharon, Lois and Bram, are Canadian. Some have attributed the dominance to Canada's strong tradition of folk music, a genre stylistically similar to children's music. A&M Canada had Raffi under

contract for seven years before the parent company began marketing him in the United States in 1986. And before he broke into the American market, Penner's TV program was turned down by the Disney conglomerate.

'It wasn't American enough,' he later told a reporter. 'I think they felt it didn't have enough high-power energy.'

But Coupar was disturbed by the fact some artists remained reluctant to include Canadian place names and cultural cues in their songs.

'I don't know who's telling them to alter their works to suit the generic American audience,' said Coupar, 'but many of them appear to have done so, unnecessarily.'

'I don't think it's necessary for them to hit us over the head with their reference points. But there is a perception of the world that is particularly Canadian.'

Legendary country chronicler Stompin' Tom Connors, who has begun a full-fledged comeback, has long been critical of artists and promoters who fail to put their country first.

He was as vociferous as ever in October 1989 during his first full concert since exiting the music business in disgust in 1976.

Before launching into his hit 'Bud The Spud,' Connors told the crowd at Toronto's Club Matadore about a truck driver who used to haul potatoes in Prince Edward Island.

'He told me one time, he said, 'Tom, do me a favor,

will ya? When them fellas from Nashville ask you to sing one of their songs, tell 'em this: When them fellas from Nashville start singin' my songs, I'll start singin' theirs.'''

Underhill's Shuffle Demons are fond of playing the ''Hockey Night in Canada'' theme, and their signature song is ''Spadina Bus,'' paying homage to a Toronto transit fixture.

Underhill said writing from direct experience is important to both the band and its audience.

Holger Petersen, owner of Edmonton-based roots music label Stony Plain, has taken the same approach. ''I personally like to encourage songwriters to write about Canada as opposed to writing about the States.''

But as Richard Flohil made clear at the ''New Music'' forum, this attitude is the exception, not the rule.

''I have some real problems behind our efforts to create Canadian culture and sell it abroad,'' said Flohil, a music festival organizer. ''And what we've learned to do very successfully is make American records. You can count on one hand over the last five years the number of times a Canadian place name has even appeared in a pop song.''

But while the Canadian music industry faces stiff challenges in the free-trade era, Garry McDonall and his contemporaries can take comfort in the fact the business has made significant strides during the last quarter century.

And in the fact at least one eloquent advocate of Canadian music has infiltrated the broadcast industry without being labelled a rebel.

'I'm excited about playing Canadian and as long as we have quality product I don't care how much it is,' said John Martin, director of programming at MuchMusic. 'I don't believe in ghettoizing it. And if there were quality product that was worth 80 per cent of our playlist, I'd play it.'

'If you can't . . . build a Canadian sound, a Canadian industry, a Canadian identity on record, then you lose both ways. You lose on the basis that we'd just be a poor relation trying to sell second-hand American product to the Americans and you lose a little piece of our cultural fabric at the same time.'

'We have a very small population base and there are many artists who can find a good living here doing fine work, but not necessarily Billboard 100 in the U.S.A. kind of work. And if we lose that, then we lose a piece of who we are.'

CHAPTER THREE: CHARTING A COURSE

Living next to a candy store
Can't say yes, can't say no
Won't say you will but you can't say you won't

-- Valdy

Early on, Brian Simpkins noticed something unusual about Cowboy Junkies.

Before the Toronto band's distinctive blend of country, haunting blues and elegant balladry catapulted the group to international stardom, Simpkins got a hint of its unflagging determination.

Simpkins, owner of Astro Custom Records Ltd. in Toronto, had carved out a niche helping about 100 upstart bands a year get their recordings into record or tape form, complete with artwork for the album cover or cardboard cassette insert.

Cowboy Junkies, comprised of singer Margo Timmins, her

two brothers -- Michael on guitar, Peter on drums -- and friend Alan Anton on bass, became regular patrons of Astro Custom as they developed their muse during the mid-1980s.

'They did three full albums over a period of two or three years with me,' recalled Simpkins.

'But that's rare. Most of our acts do one album or one cassette and if they don't make it, something happens, they break up or whatever happens.'

Cowboy Junkies toughed it out.

In 1986, they issued an early effort, the quizzically titled Whites Off Earth Now!! LP on Latent Records, their own tiny independent label.

The record landed in the top five of the Canadian independent charts. That fall, the group undertook a tour of the southern United States.

Cowboy Junkies, augmented by musicians playing accordion, mandolin and steel guitar, recorded their next album in November 1987 at Toronto's Church of the Holy Trinity, blessed with exceptional acoustics befitting the band's lilting sound.

The Trinity Session was produced for the paltry sum of \$150 using a single microphone and relatively unsophisticated recording equipment.

The collection -- original songs and reworked versions of American classics by Patsy Cline, Lou Reed and Hank Williams -- possessed the hallmarks of the Junkies sound:

hushed vocals, ethereal melodies and understated instrumental work.

The band's lawyer approached the Canadian branches of multinational record companies with copies of the album, issued on the Latent label in March 1987, but had little success.

The group, meanwhile, honed its craft playing regular monthly shows at the Rivoli club in Toronto, garnering little attention.

Undeterred, the band sent the album to U.S. record companies, triggering a flood of calls. Artist and repertoire men journeyed to Toronto to see the band perform, and the group was invited to the important New Music Seminar, an industry showcase convention in New York City, in June 1988.

In the end, BMG Records Canada signed Cowboy Junkies for release north of the border, while RCA, the company's U.S. counterpart, signed the group for the United States.

Shortly after the release of The Trinity Session that fall, the band became media darlings in the States and Britain, gracing magazine covers and winning rave reviews from influential critics. The album began climbing the charts and struck a chord with the college crowd, enamored with the no-frills honesty of the group's sound.

In the wake of Cowboy Junkies' dizzying ascent, Margo Timmins gently chided Canadians for jumping on the bandwagon

only after the group had gained U.S. acceptance.

The band's story is at once gratifying and disturbing.

Like their compatriots from an earlier era, The Band, the pull of American music has proven powerful. The group's reverence for artists such as Reed and Bruce Springsteen is evident in its stylistic leanings and choice of cover material.

However, like The Band and Neil Young before them, Cowboy Junkies have brought a clear-eyed, Canadian view to songs that evoke the sights and sounds of the American South

To paraphrase an oft-repeated saying about Marshall McLuhan and John Kenneth Galbraith, The Band (four of the five members were Canadian) and Young have become the greatest American musicians Canada has ever produced. Cowboy Junkies seem to be following in their footsteps, filtering American vignettes through a Canadian sensibility.

Some, including Timmins herself, saw the band's success as the beginning of big things for the Toronto music scene and Canadian acts in general.

But in other ways, the relative neglect the band initially experienced at home underscored the fragility of the fledgling Canadian record industry.

The business had evolved to the point where artists no longer had to leave the country to build a career, and some

genuine Canadian stars had emerged.

The system, combining the resources of both independent and multinational firms, had worked well for the likes of Maritime songstress Rita MacNeil, Toronto rocker Kim Mitchell and Alberta country crooner Ian Tyson.

Content to develop their careers in Canada, they won loyal followings.

But despite the occasional domestic success story, many artists still seemed to see Canada as a sort of training ground from which to graduate, a backwater trail to greener pastures.

While the Canadian independent scene began to generate some interesting sounds in a broad array of styles, it also seemed fragile, a diffuse collection of underfunded enterprises making their way in a risky business.

As a new decade dawned, the Canadian industry seemed to be teetering on a fulcrum.

Which way would the momentum shift? Would the independent segment of the business prosper and expand? Would the multinational companies operating in Canada exploit the new sounds? Would a major Canadian company emerge to mine and market the talent on a global scale?

Or would tighter fiscal times and the free-trade deal spawn economic retrenchment and see New York and Los Angeles consolidate their grip on the continental music business?

The jury is still out on that question.

But there are signs the concept of a domestic record industry is a notion that has fallen out of favor.

Free trade threatens to erode the domestic base of the industry that has slowly evolved over the years. It is an industry fostered largely by federal support -- tariffs on the importation of discs and tapes, a modest production and promotion fund for sound recording and Canadian content regulations for radio.

The tariffs are disappearing under the trade deal, some worry the agreement will make substantial federal support impossible and others have called for an end to content regulations.

The story of Cowboy Junkies is emblematic of a Canadian industry in flux.

In 1990, Toronto journalist Larry LeBlanc concluded that the group had begun recording largely under the guidance of its U.S. record label.

The band's 1992 release, Black Eyed Man, was recorded in Hamilton, not far from its Toronto home. Peter Moore, who captured The Trinity Session on tape, again helped out with production.

Margo Timmins weaves a familiar spell with tales of southern rain, the American Civil War and a trailer-park murder. She sings a duet with American folksinger John Prine and the group performs a pair of songs by Texas musician Townes Van Zandt.

On balance, one began to wonder whether LeBlanc might be correct.

But the lyrics to one song on the album suggested the Junkies hadn't forgotten their roots.

'Last year they closed down the post office,' sings Timmins. 'Took the only flag we had in town.'

THE INDUSTRY

Beneath the gloss and glitter of concerts, recordings and videos is an industry not unlike more mundane businesses.

Canada accounts for just under three per cent of retail sales in the \$22-billion industry, ranking seventh in global markets.

The leaders, the United States and the European Community, each represent approximately 30 per cent of the global pie, while Japan accounts for about 14 per cent.

Canadian sales totalled \$425 million in 1991, a nine per cent increase over 1990. However, the number of compact discs, cassettes and singles sold actually dipped five per cent during the year.

The increased popularity of CDs, which cost more than cassettes, explained the increase in the dollar value of sales despite the drop in number of units sold.

While there is some actual movement of recordings

across borders, the vast majority sold in Canada are manufactured within the country.

The music business operates on territorial licensing agreements through which recordings are duplicated in different countries. Instead of shipping finished recordings from one territory to another, a master tape is usually imported under a lease or licence deal and used to make discs or cassettes.

In 1989-90, about four-fifths of sales were generated from recordings produced by masters licensed or leased from companies located outside Canada, Statistics Canada reported. Foreign-controlled companies generated 90 per cent of their sales through this practice.

Canadian-controlled companies, meanwhile, made more than 70 per cent of their sales from master recordings either produced by themselves or leased from another record company.

In 1988, the Canadian industry generated about \$5 million from the licensing of master recordings to foreign customers, while payments to foreigners for the use of their masters exceeded \$70 million, the Industry Department reported.

Still, up to 12 per cent of recordings sold in Canada were imported as finished products from abroad. Imports have gradually claimed a greater percentage of the retail market as tariffs on recordings have fallen over the years under

the General Agreement on Tariffs and Trade and more recently the free-trade agreement.

The labor-intensive record business has evolved during the last century from humble beginnings in tiny laboratories and crude sound studios to the complex world of giant factories and stadium concerts.

While artists and producers create the music, a battery of sales people and accountants ensure the songs find their way into the hands of eager consumers.

Production, manufacturing, distribution, promotion and sales are the five pillars of the business. Some 15,000 people are directly employed in these fields, while another 5,000 or so work in the areas of live concerts, merchandising and equipment sales and rentals. In addition, more than 30,000 musicians and 20,000 composers and lyricists belong to associations.

The industry consists largely of two tiers in Canada. The upper stratum is made up of a handful of foreign multinational record firms, while the second level comprises dozens of small Canadian-owned companies.

At the fringes of the commercial industry are orchestras, opera companies, and various other ensembles and solo performers that subsist largely on government grants.

The music industry is like a giant spider web of interconnected strands: songwriters, musicians, producers, record companies, labels, broadcasters, promoters,

merchandisers, governments, distributors, retailers and consumers.

At the centre of the web lie the multinational record companies -- BMG Music Canada, Capitol Records-EMI of Canada, PolyGram Records of Canada, Sony Music Canada and Warner Music Canada -- five giant firms that dominate the business, releasing recordings on numerous labels.

They are closely followed in importance by A&M Records of Canada and MCA Records (Canada). In 1990, A&M was purchased by PolyGram in a global deal, but the company retains much of its autonomy.

Virgin Records and I.R.S. Records, two relatively small but noteworthy foreign firms, also have Canadian operations.

The multinational firms, with their considerable financial and material resources, constitute the dynamic centre of the business in Canada and the rest of the world.

Statistics Canada figures indicate that in the fiscal year 1989-90, foreign-controlled record companies dominated the market with 88 per cent of sales, 83 per cent of full-time employment and 81 per cent of new recordings.

The foreign-owned majors operating in Canada dominate wholesale distribution of recordings. Once heavily involved in manufacturing, they have sold off many of their record-pressing and tape-duplicating plants, not bothering to refurbish them as technology advanced.

Canadian companies have developed a strong presence in

other segments of the industry, namely recording studios, manufacturing, retailing and sub-distribution (the step between distribution and retailing).

Federal regulations prohibiting foreign ownership of radio and television stations have helped ensure Canadian clout in the broadcast industry as well.

But the weak link in the Canadian chain -- or strand of the spider web -- remains the record companies.

Canadian record firms actually outnumber their foreign counterparts, but they are dwarfs among giants, collectively accounting for only about 12 per cent of record sales.

Less than 15 per cent of the 4,289 albums released in Canada in 1989-90 contained Canadian content.

And a majority of the music churned out by Canadian-operated manufacturing plants, distribution centres and radio stations originates elsewhere -- much of it from south of the border.

THE EARLY YEARS

From the beginning, the history of the Canadian recording industry has been intertwined with that of the United States.

Record tariffs, visa restrictions and the lure of the American market were as much a part of the business in Canada during the early decades of the century as they are

now.

The experiences of the Berliner family -- Canada's recording industry pioneers -- offer an instructive glimpse into the beginnings of foreign domination of the industry.

Emile Berliner, a penniless 19-year-old, emigrated to the United States from Germany in 1870. Inspired by Alexander Graham Bell's recently invented telephone, he began experimenting with talking machines in his small laboratory in New York City.

Other inventors -- including renowned scientist Thomas Edison -- were making breakthroughs with recorded sound using wax cylinders, but Berliner developed the first machine to play flat discs.

Dubbing his invention the gramophone, Berliner patented his recording process and in 1893 established manufacturing operations in Washington. Affiliated firms were also set up in Europe.

Berliner sold the U.S. patents to his invention to a businessman who used them to found the Victor Talking Machine Company. But he obtained a Canadian patent in 1897 and within two years had laid down roots in Montreal with the aim of cornering the French-Canadian music market. He began assembling gramophones and pressing discs from original master recordings imported from Berliner affiliates in England, France, Germany and the United States.

Berliner adopted the emblem of a fox terrier sitting

with its head cocked listening to a gramophone, adapted from a British painting called His Master's Voice. The trademark was registered with the federal government and first appeared on Berliner's Canadian pressings.

At the turn of the century, Berliner and two American firms -- Columbia and Edison, both of whom set up operations in Toronto -- were the major companies competing for a Canadian market of some five million. The industry was growing, but only a small percentage of households purchased gramophones during the first decade of the century.

Still, two of Emile's sons, Herbert and Edgar, moved to Montreal from the States to work with their father. Herbert became vice-president and general manager of the firm and emerged as a prominent figure in the Canadian industry.

The Berliner company soon accepted an offer from the U.S.-based Victor company to become the exclusive Canadian manufacturer and distributor of its records. But by 1909, Berliner was making master recordings at its own studio in Montreal. The company arranged sessions with local francophone musicians, Americans playing the city's ballrooms and dance halls, and others who were brought north just to record.

'Once Prohibition began in the United States, Berliner had little difficulty convincing musicians to make the trip to Montreal,' writes John Gilmore in Swinging In Paradise, a history of the city's jazz scene.

Indeed, Montreal was the only recording centre in Canada until after the Second World War.

In 1918, the ambitious Herbert Berliner set up an independent record-pressing plant called Compo Company Ltd. in Lachine, just outside Montreal. Compo, operating separately from Berliner, pressed records for various Canadian labels.

At the same time, he began to record even more artists at Berliner's studio in Montreal.

'The Victor people in Camden, N.J., were becoming very apprehensive about the activity in Montreal, and for good reason,' writes Edward Moogk in Roll Back the Years, a chronicle of the early industry in Canada. 'The point was being reached where Canadian recordings outnumbered United States imports in the monthly Berliner catalogues.'

Records manufactured in Canada were less expensive to purchase since they weren't subject to import duties. A 1919 advertisement for the Compo plant reads, 'Press in Canada and save duty.'

Duties increased the price of a record catalogued at \$1 in the United States by as much as 25 cents in Canada, indicates a 1915 Toronto Globe editorial cited by Moogk.

In 1914, Canada imported almost \$1 million in talking machines, parts and records, the majority of them from the United States. By 1918, that figure had jumped to almost \$2.7 million.

But as the First World War raged, at least one foreign-owned record company made a point of trading on patriotic and nationalist sentiments. In a 1915 notice to dealers, Columbia said prices would not rise -- despite increases in duties and war taxes -- since the company manufactured gramophones and records in Canada. ''We felt, therefore, that the right thing to do was to shoulder our additional burden and not attempt to make our dealers or the public stand any part of it.''

With business steadily increasing, representatives of 17 companies assembled in Toronto in 1919 to establish the Phonograph Manufacturers Association.

Two years later, Herbert Berliner severed ties with the family firm after a falling out with younger brother Edgar. Herbert led an exodus of Berliner executives to Compo and the two companies became instant rivals.

That year Compo unveiled two of its own labels -- Sun and Apex. With competition becoming more intense as the industry matured, Compo aimed in 1923 to secure a niche in the American ''race'' market -- recording and selling black music on the company's newly founded Ajax label.

''Herbert rented a studio on West 55th Street in New York City and began recording black musicians and singers there, including singer Mamie Smith, Fletcher Henderson's orchestra, and the Canadian-born pianist Lou Hooper,'' writes Gilmore. ''He transported the masters to Montreal,

pressed them into records at his Compo plant and shipped the records back to the United States for distribution to stores in black neighborhoods.''

Considering the records too specialized, he didn't distribute them in Canada. It was perhaps the first instance of a Canadian record company tailoring its product to the tastes of the American market.

The Berliner company, meanwhile, had become a formidable industry player. Its headquarters and factory occupied a sizable chunk of land in Montreal and its subsidiary His Master's Voice Ltd. had operations in Halifax, Toronto, Winnipeg, Calgary and Vancouver. The company also counted 1,800 affiliated dealers countrywide.

But Edgar Berliner allowed the company to fall under the sway of Victor, favoring manufacture of the American firm's line of recordings over the Berliner series.

As Moogk puts it, ''The marriage between Berliner and Victor was now complete, and the direction and future of the Canadian company were predictable.''

In 1924, Victor acquired a controlling interest in Berliner, renaming it the Victor Talking Machine Company of Canada. Edgar Berliner, who had become a Canadian citizen, remained president and four American executives joined the board of directors.

There were few Canadian-born executives in the industry during its first 20 years, notes Moogk. Columbia's Canadian

managers were all American citizens and Edison gramophones and records were imported from the States.

Few of the country's jazz artists got a chance to record their music during the first half of the century.

Compo's black recordings didn't sell south of the border and the Ajax label soon featured popular white artists before disappearing altogether in 1925.

BORDER BATTLES

Penetrating the American market also proved difficult for many Canadian performers, largely because of restrictive immigration laws and union sanctions.

During the early part of the century, the American Federation of Musicians firmly established itself as the main labor body representing musicians in the United States and Canada. In the midst of a dispute with the CBC, the AFM survived a mild challenge from the upstart National Musicians' Union of Canada, which changed its name to the Canadian Federation of Musicians in 1935.

'Despite its appeal to nationalist sentiments, the CFM never posed a strong threat to the AFM in Canada,' writes Gilmore.

Legislation passed by the U.S. Congress in the 1880s limited the entry of foreign laborers into the United States, but musicians were exempt. However, the fledgling

AFM -- fearing European musicians would take jobs away from members -- barred foreign musicians from joining the union, imposed sanctions against booking agents who tried to bring in foreigners, and encouraged European unions to keep their musicians at home.

The AFM also lobbied Washington, which passed legislation in 1932 that prohibited foreign musicians from entering the country unless an employer could demonstrate there were no American musicians that could do the job.

The union had members in Canada and, while the new laws weren't necessarily aimed at Canadian musicians, U.S. immigration officials ruled that the legislative net snared them as well.

'Thus, a nearly insurmountable wall was erected around the United States against musicians from other countries, Canada included,' notes Gilmore.

Canada had similar barriers, enacted in 1929 by cabinet order-in-council, designed to keep foreign labor under contract out of the country.

'This interpretation forced dance hall and nightclub owners to hire two bands of identical size -- one the American group they wanted to feature, the other a 'standby' band of Canadian musicians.'

Following the Second World War, a shortage of skilled labor led to suspension of the law and an influx of American musicians into Canada. The U.S. restrictions on Canadian

talent remained in place.

By the 1990s, some musicians still complained of being denied permission to perform in the United States, but there were several visa categories enabling entry, including:

--H1 for artists with ''distinguishing or meritorious ability.''

--H2 for middle- and lower-level performers who prove they're not displacing Americans.

--J1, a cultural exchange visitor's permit sometimes valid for more than two years.

In 1990, some 75,000 such visas were issued by the United States to foreign athletes and performers, and a wide variety of Canadian acts routinely gave concerts there.

But in 1991, the U.S. Congress dropped a bombshell consisting of tough proposals aimed at tightening the laws. The most contentious aspects of the bill were dropped after the measures drew loud criticism.

Under the legislation:

--The number of athletes and entertainers allowed entry in any one year would have been limited to 25,000.

--Anyone affiliated with a group or company for less than one year would have been denied a visa.

--Groups would have been prohibited from applying for a

visa until 90 days before a performance, hampering efforts to plan tours in advance.

--Performers in a key visa category would have had to be ''internationally recognized.''

Only musicians judged to have extraordinary ability were to be exempt. Canadian superstars such as Anne Murray and Bryan Adams would have had little trouble gaining permission to play in the States -- unless the overall quota had been filled -- but bands such as Blue Rodeo likely would have been barred.

Canadian Recording Industry Association president Brian Robertson estimated that the regulations would have effectively prevented up to eight of every 10 touring acts from entering the States.

The draft measures, said to have been aimed primarily at British musicians, sparked outcry from the record industries in Europe and Canada, as well as a veiled threat of retaliation from Ottawa.

Congress eventually backed down, likely as a result of foreign pressure. A Who's Who of the Canadian industry, including Margo Timmins, True North president Bernie Finkelstein and songwriter Shirley Eikhard, joined ranks to protest the measures. But the compromise legislation that resulted requires Canadian musicians to be members of the American Federation of Musicians to enter the States. And

Congress ordered that a study of foreign barriers to U.S. entertainment interests be undertaken.

The episode underscored another problem with the free-trade agreement. While the deal exposes the Canadian record industry to further foreign domination and weakens federal leverage, it does nothing to ensure an open border for Canadian musicians.

TAKING ROOT

The Radio Corporation of America (RCA) took over Victor operations in the United States and Canada in 1929 and launched the RCA Victor label.

Compo continued as the leading Canadian-owned firm, surviving the Depression, making technological breakthroughs and becoming the record presser and distributor for the U.S. operations of the Decca Gramophone Company Ltd. In 1950, Decca purchased Compo. In turn, MCA snapped up Decca 14 years later.

A few music publishers also set up shop in Toronto and Montreal during the early part of the century. Following the Second World War, the industry enjoyed steady expansion.

In 1949, All Canada, later to become Selkirk Communications Ltd., teamed up with U.S.-based MGM Records to establish Quality Records.

'Quality became know for acquiring Canadian

manufacturing rights to U.S. and European labels and was extremely successful in the '50s and '60s,' ' recounts a study prepared for the 1986 federal Task Force on Broadcasting Policy.

But the label's dependence on foreign product eventually proved its undoing. Quality acquired Canadian rights to the renowned Motown label, which churned out hits by an array of black American artists -- including the Supremes, the Four Tops and Stevie Wonder -- in the 1960s and '70s.

Stephen Tennant, national marketing manager for Quality, left the label in the early '80s for MCA Records, which was offering more money for the Motown licensing rights.

'The writing was on the wall,' Tennant said of Quality.

'Motown was their lifeblood.'

As the decade progressed, Quality continued to wither, eliminating its distribution arm and selling its manufacturing facilities to Scarborough-based Cinram Ltd. in 1985. (It evolved into Quality Special Products, offering music by mail order, before being purchased by Winnipeg-based R-Tek in 1986. In late 1991, the company quietly took steps to re-emerge in Canada as a record label.)

In the years before the multinationals began to dominate the market, licensing foreign product became a

common practice for fledgling Canadian firms. Spartan Records of London, Ont., acquired the Canadian rights to the Columbia Records catalogue, and a consortium struck such a deal with Capitol Records.

Bill Ott, now executive vice-president of the Canadian branch of A&M Records, remembered working for the Allied Record Corp. in Montreal during this period, signing acts and securing major licensing deals.

'We were in charge of looking for labels out of the States, or out of other countries, and signing them for distribution in this country,' recalled Ott, who was a member of Montreal group The Sceptres -- an RCA signing-- during the 1960s.

Allied distributed British rockers the Kinks on the Pye label, as well as several American acts including a young Neil Diamond on Bang, Tommy James and the Shondells on Roulette and folksinger Joan Baez on Vanguard.

Ott later moved to Phonodisc Ltd. -- founded by a former Quality employee -- which also arranged Canadian licensing deals with U.S. and European companies.

Phonodisc distributed a diverse roster that included the Audio Fidelity label, jazz recordings and American soul pioneer James Brown.

'It was a pretty big catalogue,' said Ott.

Canadian centres supported a number of acts that became regional favorites, if not national stars.

But as the task force study notes, ''While there were Canadian artists being recorded, the prime function of all companies was to acquire rights to Canada for foreign product.''

Meanwhile, Canadian acts such as Paul Anka, The Diamonds and The Crewcuts recorded for U.S. labels.

England's Decca established London Records of Canada in the 1950s, becoming the first major foreign record company to set up shop in the country. The move became a trend in the 1960s, triggering a decline in the number of Canadian companies handling foreign catalogues.

In England, EMI purchased Capitol, CBS absorbed Columbia, and Warner Brothers, active in film and television, bought recording companies.

All three firms opened offices in Canada. Columbia Records of Canada Ltd. set up shop in 1954 and Capitol launched its domestic talent department in 1960. Polydor Records Canada Ltd. -- later to become PolyGram-- established a branch six years later near Montreal in St-Laurent, Que., and in 1970, A&M located just outside Toronto in suburban Scarborough.

The 1960s also saw the rise of independent record labels and the initial taste of success for several Canadian pop artists, including the Guess Who, Bruce Cockburn, Gordon Lightfoot, Anne Murray, David Clayton-Thomas, Ian and Sylvia Tyson and Neil Young.

With the majors initially showing little interest in developing Canadian talent, many artists headed south.

However, spurred by the burgeoning pop music market and the introduction of content regulations for radio, a number of Canadian independent labels emerged in the '70s -- among them Anthem, Aquarius, Attic, Stony Plain and True North.

The establishment of multinational branches, followed by the birth of several small labels, helped lay the foundation of the modern-day industry in Canada.

The independents and multinationals quickly developed a somewhat symbiotic relationship: the small firms relied on the large ones to nationally distribute recordings by developing artists. At the same time, the multinationals sold foreign product in Canada and plucked a select number of ripe artists from the rosters of the small companies for release not only in Canada, but in the United States and beyond.

Lightfoot and Murray, for instance, were catapulted to international stardom by Capitol Records after first recording for independent labels.

In the '70s, a number of pop and rock acts enjoyed commercial success in Canada and, in varying degrees, internationally. Leading the way were folk artists such as Cockburn, Murray McLaughlin and Valdy, pianist Frank Mills, The Irish Rovers, Terry Jacks, and rock groups such as April Wine, Bachman-Turner Overdrive, Prism, Rush and the

Stampeders.

Quebec recording artists such as Robert Charlebois, Felix Leclerc and Gilles Vigneault won fans in their home province and Europe. Columbia Records and Canadian independent Select Records capitalized on the 1960s 'chansonnier' phenomenon, recording a number of francophone artists.

But as journalist Larry LeBlanc notes, things were just getting started.

'Despite the undisputed domestic and international successes, the Canadian music industry still represented an inevitable circle with limited potential,' he writes in his 1990 study of the industry for the Communications Department.

'The majority of Canadian records remained confined to lower chart positions. A record unable to crack the major AM Canadian stations could only be expected to sell, perhaps, 6,000 copies.'

As the commercial side of the industry struggled to take root, a tradition of CBC involvement in the recording of classical, jazz and some popular music also developed.

In 1945, CBC's International Service, now known as Radio Canada International, began to record the works of Canadian composers for exposure overseas.

By 1955, a hundred long-playing discs had been recorded, and within 10 years the catalogue had doubled,

according to the task force study.

Maureen Forrester, Lois Marshall, Pierrette Alarie and Leopold Simoneau recorded for the International Service, as did pianists Glenn Gould and Oscar Peterson early in their careers.

In addition, a large number of records were produced by the CBC's English Service, which became involved in 1962 in an effort to increase the Canadian music content of its programming.

Through a 1967 agreement with RCA Victor Canada, the CBC secured commercial release for some of its recordings, which also featured orchestras, singers and jazz and chamber music groups.

'This burst of activity gradually lost its momentum and ceased when the Canadian who had been head of RCA Victor Canada was replaced by an American who regarded Canada more as a market than a production centre,' notes the study.

Meanwhile, the Canadian Association of Broadcasters and the Composers, Authors and Publishers Association of Canada put \$250,000 toward recording light and classical music. However, the recordings got little airplay.

A similar CAPAC venture -- featuring music and commentary -- aimed at broadcasters met a similar fate. (CAPAC and PROCAN, the Performing Rights Organization of Canada, were the country's two performing rights societies, collecting royalties on behalf of publishers and songwriters

for public performance of their songs. The two societies later merged to form the Society of Composers, Authors and Music Publishers of Canada).

By the 1970s, the CBC was the largest producer of classical recordings in the country, marketing its Canadian Collection series by mail-order.

In 1982, the CBC began selling its recordings directly to retail outlets. While CBC productions garnered acclaim for their musical and technical excellence, cuts to the CBC budget left the corporation's marketing arm on shaky financial ground.

CBC Enterprises folded in 1990 and the corporation's efforts seemed doomed until later that year when it signed a deal with Denon Canada Inc. to distribute recordings in the CBC's SM5000, Musica Viva and Jazzimage series.

"The serious music industry in Canada has never enjoyed good health," points out the task force study. "There were no government incentives to help independent recording producers or attract investors. Other steps which could have been taken by government were never taken."

A TWO-TIERED SYSTEM

Since the 1960s, a raft of government-sponsored reports has said essentially the same things:

--The Canadian industry is dominated by a handful of multinational firms whose primary business is selling foreign product.

--Canadian firms are small, seriously underfinanced, often poorly managed and face major difficulties raising money.

--The federal government has largely ignored the recording industry when considering major support policies for the arts. There are no tax incentives to spur production and other government assistance is modest.

--Canadian firms depend almost exclusively on the multinationals to distribute their recordings.

--Radio broadcasters and retailers have shown little interest in championing the cause of Canadian music. Radio has never really embraced the concept of content quotas.

While the multinationals show a certain amount of interest in developing Canadian talent, Statistics Canada figures indicate the independents nurture the lion's share of home-grown acts.

In 1989-90, foreign-controlled record companies accounted for \$301 million in sales -- 88.5 per cent of the total volume in Canada.

Canadian-controlled firms generated \$39 million in sales, the remaining 12.5 per cent.

But 74 per cent of the 615 new recordings with Canadian content were released by Canadian companies, according to the federal agency.

The figures seem to support the contention of many observers that the multinationals are primarily interested in peddling their vast foreign repertoires in Canada -- the third-largest English-speaking market in the world -- with interest in Canadian artists purely secondary.

While the multinationals acknowledge that selling foreign product in Canada is a priority, they are quick to point out that they support homegrown talent through a small number of direct signings and distribution of artists who record for independent labels.

Essentially, the multinationals see the independent production companies as laboratories where new product is invented, developed and tested. The majors are often happy to distribute the fruits of these experiments, for a fee. And they sometimes open their wallets to snap up the most successful independent acts with the aim of marketing them abroad.

For nearly two decades, the two-tier structure-- comprising a handful of powerful majors and dozens of small independents -- has prevailed.

Regardless of size, the majority of record companies are heavily concentrated in the Toronto and Montreal regions. But the similarities between the multinationals and

Canadian firms end there.

A typical major employs between 100 and 200 people, has sales offices or representatives in major cities across the country, controls a national distribution network and runs a sizable, centrally located warehouse.

"Besides being large, well-financed and highly integrated, these companies face few barriers to the pursuit of their business goals," concluded a 1982 federal committee on cultural policy.

If anything, the multinationals have consolidated that power during the last decade through mergers and acquisitions.

The average independent, meanwhile, has a staff of less than 10 people and operates from a single location.

There may be as many as 500 independents operating in Canada, including some 170 in Quebec. However, only about 200 to 250 of these small firms are involved in sound recording on a regular basis.

And only a few have annual revenues approaching the \$5-million mark.

Of the 14 foreign and 172 Canadian-controlled firms included in the 1989-90 Statistics Canada industry survey, 31 companies reported sales of \$1 million or more.

Thirty-three firms reported sales of between \$100,000 and \$1 million, while 106 generated less than \$100,000 in revenue, said the survey, released in early 1992.

During the same period, foreign-controlled companies reported profits of about 10 per cent of total revenue. Some Canadian firms made profits. But, overall, small- and medium-sized firms actually generated losses.

Like the multinationals, the independents often rely heavily on revenue earned by acting as agents for foreign companies. In 1989, agency business accounted for about 50 per cent of sales by Canadian firms, said the department.

Many in the independent sector complain that while they plough the bulk of their meagre revenues back into developing Canadian talent, the profits that multinationals reap in Canada are largely funnelled out of the country into the pockets of foreign artists and producers.

In Britain and the United States, smaller record labels frequently benefit from substantial funding provided by the multinationals -- money paid in advance against sales.

"This is not a common situation in Canada," notes the task force study.

Once an independent has developed a master recording, a major company may license or buy the recording and cover manufacturing, distribution and promotional expenses.

Should the independent choose to pay the manufacturing and promotional costs, it will secure a higher return on each record sold, notes LeBlanc in his study.

The independents have proven themselves adept at developing talent on shoestring budgets, but have never

enjoyed financial security.

'One of the big problems of the independent sector without any doubt is the lack of availability of funding,' said Brian Chater, executive director of the Canadian Independent Record Production Association.

As LeBlanc writes, the escalating costs of recording, making videos and touring leave most Canadian independents without the money necessary for 'strong promotion, effective sales campaigns or the other follow-up functions which help produce both hit records and careers.'

The federal Industry Department acknowledges as much in its 1991 profile of the recording business.

'The majority of Canadian-owned producers and manufacturers of sound recordings are not currently competitive and are not likely to become so in the near future,' says the report.

Canadian firms survive largely as a result of regulatory and financial support from the government, and by acting as agents for foreign record companies, adds the assessment.

That support has never been so crucial to the smaller companies. While Cowboy Junkies were able to produce a best-selling release for \$150, it was a one-shot anomaly in an age in which the cost of making an album typically runs from \$50,000 to \$200,000.

There is also the added expense of music videos -- a

good one costs at least \$35,000 -- and other promotional efforts, which can range from a few thousand dollars worth of trade paper ads to tens of thousands of dollars for a concert tour.

Music video promotion expenses doubled between 1987-88 and 1989-90 to reach \$1.6 million, Statistics Canada reported.

Such expenditures are crucial because often the difference between a successful album and a failure is effective promotion.

One source estimates that in order to recoup the costs of producing an original Canadian release, a record company must spend an amount equal its production expenses on marketing and promotion.

In 1989-90, foreign-controlled companies spent more than half of their total operating expenses on marketing, compared with less than 30 per cent for large Canadian-controlled companies, Statistics Canada said.

Mounting a concert tour can be a major financial drain.

"The cost of touring, particularly overseas, is often beyond the resources of many companies active in developing new Canadian recording artists," says Vital Links, a 1987 federal assessment of the cultural industries.

Of every 10 commercial releases, one earns a substantial profit, two are marginally successful and seven fail to recoup their costs, according to CIRPA figures.

Even accomplished firms have trouble staying afloat.

The financial downturn of the early '90s saw several firms founder or collapse, underscoring the fragility of the independent sector.

Juno award-winning Blue Rodeo had just finished recording its third album when, in July 1990, the band's Toronto-based record label, Risque Disque, folded due to financial troubles and the chronic health problems of its manager.

That same month, the group's management company, ACT, also went under. There was bad news for a number of other small companies:

-- The Music Brokers, a leading independent promotion firm, collapsed in the summer of 1990.

-- Attic Music Group, the largest, most successful Canadian indie, trimmed its staff to 11 full-time members and one part-timer from 14 in early 1991.

-- Enigma Entertainment Canada shut down around the same time, despite launching its only signing, folk-rock group the Skydiggers, to wide acclaim, and turning a profit. The company, a branch of Enigma in the United States, closed along with its American counterpart. However, the company later re-emerged as a promotion firm.

-- Duke Street Records, which developed the career of delightfully eccentric Toronto performer Jane Siberry,

trimmed its roster in light of chronic financial difficulties.

-- Vancouver's Penta Entertainment went under despite high hopes for the firm and the involvement of heavyweights such as Bruce Allen, manager of rocker Bryan Adams.

THE FUNDING SQUEEZE

The Canadian record business has often claimed to be the poor cousin of the cultural industries.

From the perspective of government assistance, there is some truth to the assertion. The film and television communities have been propped up by Telefilm Canada and its hefty annual budgets that exceed \$150 million.

Publishers have long enjoyed the benefits of favorable legislation, and the Canada Council has provided millions to the less commercially viable arts.

The film and book industries are seen as culture, Brian Chater of CIRPA once said. "We get recognized as cruddy rock 'n' roll."

On the rare occasions when the record lobby is the recipient of government largesse, industry spokesmen duly offer polite thank-yous, but are quick to note that the music business is usually last in line for such favors.

"There currently is no well-defined strategy at the

federal level towards the sound recording industry," concluded an exhaustive 1982 study of the industry by consulting firm Woods Gordon.

A key reason for the failure of government to develop a strategy for the industry, says the report, was that most of the significant government decision-makers, either because of their age or taste, did not regard the bulk of the industry's product -- popular music -- to be either "cultural, worthy, or in need of support.

"In fact, the industry generally has a negative image," it says. "Perceived associations with the drug culture and other illicit activities, the lifestyle of certain members of the industry, and even the commercial success of much popular music, account for this view."

As Marla Waltman, the Communications Department's chief of sound recording policy, told journalist Jeff Bateman in 1988, mandarins saw the music business as "sex, drugs and rock 'n' roll.

"Senior bureaucrats didn't see how sound recording fit into their concept of cultural activity," said Waltman.

Yet listening to recorded music ranks high among leisure-time activities in Canada -- a survey conducted in 1991 ranked "audio entertainment" second, trailing only television viewing. And Canadians have long been among the highest per capita consumers of recordings in the world.

As cultural analyst Paul Audley has written, "Of all

forms of cultural expression and entertainment, none travels better than music.''

FINDING MONEY

In 1969, 12 radio stations teamed up to form the Maple Leaf System to assist the development of the recording industry.

The introduction of content regulations in 1971 spurred demand for Canadian music from radio. But the next decade saw many broadcasters shirk the obligation to play CanCon, as it was soon dubbed, or simply play it after midnight when few people tuned in.

CIRPA and CRIA began pressuring the Canadian Radio-television and Telecommunications Commission, the federal broadcast regulator, to monitor CanCon and ask broadcasters what they were doing to assist the industry.

At the same time, broadcasters recognized there weren't enough new Canadian releases to meet content quotas.

In 1982, three radio chains -- Chum Ltd., Moffat Communications and Rogers Radio Broadcasting Ltd. -- teamed up with CIRPA and the Canadian Music Publishers Association to form FACTOR, the Foundation to Assist Canadian Talent on Record.

By October 1983, the fund had invested more than half a million dollars in some 70 recordings. In 1985, FACTOR

merged with the Canadian Talent Library, formed 23 years earlier by Standard Broadcasting Ltd. Over the years it had helped create more than 250 recordings by artists including Maureen Forrester, Hagood Hardy and the Spitfire Band.

Also in 1985, radio broadcasters and French-language sound-recording firms founded MusicAction, a francophone counterpart to FACTOR.

Through the years, numerous broadcasters have funnelled a portion of their local talent budgets into FACTOR and MusicAction.

And in 1984, MuchMusic, the music video channel, created VideoFact, a national body designed to spur music video production.

Through 1989, VideoFact had contributed money toward 237 videos by Canadian pop, rock, country, jazz, blues and folk musicians, including such luminaries as Cowboy Junkies.

The agency, which dispensed almost \$1 million in 1991, receives financial support from MuchMusic and MusiquePlus, a French-language sister channel launched in 1986.

But as the Canadian industry began to find its legs in the 1980s, lack of adequate financing remained a pressing problem.

In the wake of the 1982 Woods Gordon study that painted a picture of a severely undercapitalized Canadian industry, the Department of Communications engaged in further study and consultations. But the recording industry now had an

ally on the other side of the fence in John Watt, a former CIRPA president who went to Ottawa as a policy analyst during the late '70s.

'It took pressure internally from John Watt and externally from CIRPA to convince senior D.O.C. officials of the need for even token support for the record business,' writes Jeff Bateman in Music Scene magazine.

The government finally came to the aid of the independent sector in the spring of 1986 with the five-year Sound Recording Development Program.

It provides about \$5 million annually -- in the form of contributions, loans and guarantees -- to assist in the production, distribution, marketing and promotion of Canadian music.

The program, the product of years of study and consultation undertaken by the Communications Department, is jointly administered by the department, FACTOR, MusicAction and the Canada Council.

Cowboy Junkies, country-rock band Blue Rodeo, Quebec pop diva Mitsou and rock singer Alannah Myles are among the dozens of artists to have reaped benefits from the program. However, its chief aim is not to bolster individual careers, but to strengthen the independent sector as a whole.

The program is more modest in scope and budget than some industry players would like, and in many instances companies must repay the money they are advanced through the

fund.

But the cash-strapped Canadian enterprises generally have welcomed the initiative, notwithstanding some concerns. Some have complained that most of the cash goes to a half-dozen major independents in central Canada, with little money finding its way to the regions.

The Pacific Music Industry Association recommended to FACTOR in 1990 that it set up a western regional board responsible for allocation of a separate FACTOR fund. And in February of the next year, the Alberta Recording Industry Association held an open forum on FACTOR to examine, in part, whether the fund was biased toward eastern artists.

FACTOR has since reached out to the regional industry associations in an effort to get them more involved in the award of money.

However, one analysis has criticized the program for ignoring independent companies that have not proven themselves financially.

'It would seem that those Canadian independents most able to follow the pattern of the majors are the one supported by the SRDP policy,' writes Karyna Laroche in her Carleton University master's thesis on the program.

The initiative is indeed designed to support the most commercially viable projects, but some money is also directed toward helping new artists make high-quality demonstration tapes of their songs.

'The cumulative effect of FACTOR production monies has been a ground swell of recording activity and subsequent flood of tapes that range from, at the very least, average quality to first-rate masters,' writes Bateman following the first year of funding.

The program has proven useful to a number of independent companies.

Holger Petersen, owner of Edmonton-based Stony Plain Records, said FACTOR was the best thing that had happened to the label.

'I think it's a real good system that helps a lot of people,' he said.

The quality of Canadian recordings improved markedly with the help of the program, two 1990 studies of the federal initiative concluded.

But the program lacks sufficient funds to fully achieve its aims, say the analyses conducted for the Communications Department.

Copies of the independent reports, one of which focused on the francophone record industry, were obtained under the Access to Information Act in June 1991.

'In the opinion of most of the independents, the SRDP has enabled Canadian companies to pay for better production facilities, hire better technical staff and improve the quality of the records produced,' says one study, submitted to the department by Ekos Research Associates Inc. in

September 1990.

Sixty per cent of program funds go to the English-language sector of the business and 40 per cent to the French. The program seems to have helped lift the Quebec record industry out of a severe slump that hit during the early to mid-1980s.

'Our evaluation demonstrates that, on the whole, the SRDP has had extremely positive effects on the francophone recording industry and that it has helped restore vigor to Quebec song,' says the report on the francophone industry, completed by le Groupe Secor Inc. in March 1990.

An Ekos survey that included most of the largest independent record companies outside Quebec indicated that the number of recordings and music videos produced had also increased in recent years.

From 1987 to 1989, the average number of Canadian content releases by independents rose to 3.1 from 2.7. During the same period, the number of videos featuring Canadian artists produced per company jumped to 3.1 from 2.1.

In addition, the proportion of Canadian recordings sold seemed to be increasing.

However, the news wasn't all rosy. While the program has helped improve Canadian recordings, say the reports, it hasn't translated into a more robust bottom line at most companies.

'Canada's independent record companies are in a financially precarious position,' states the Ekos Research report, adding that development program funds often mean the difference between a profit and a loss.

The reports also found:

-- Money for several components of the program, particularly video production and business skills development, was sorely lacking. In some cases, annual allotments dried up four or five months into the fiscal year.

--Many industry representatives would like to see the distribution aspect of the program expanded. It assists in the distribution of only specialized music, such as classical and jazz, yet lack of access to a distribution network is a major problem for smaller independents, regardless of music type.

--The program, while generally positive for the Quebec industry, had done little to increase the number of francophone releases, which had fallen off substantially during the last decade.

A Communications Department evaluation of the program, based on the Ekos and Secor studies, recommended that more money be allocated to promotion.

But despite the fact that many have called for increased production funding, the December 1991 evaluation

recommended that this segment not be given more money.

'Efforts should now turn to marketing in Canada and abroad, before considering putting more money into production,' says the evaluation, obtained under the Access Act in March 1992.

However, in his June 1990 industry study for the Communications Department, Larry LeBlanc recommended that the program be expanded, saying 'the investment and risk in originating new Canadian recordings are high and increasing.

'For foreign-owned firms, profits from the sales of foreign-produced recordings provide the major source of equity capital. By contrast, Canadian firms tend to rely heavily on debt capital.'

The program too often represents 'a high-risk bank of last resort,' he adds.

As the program approached the end of its first five years, FACTOR president Ann Graham pushed for renewal with an expanded budget.

Underfinancing posed the biggest problem for the Canadian industry and funds 'must not only be sustained but more fully realized in future years,' she said in the foundation's 1990 report.

While renewal of the program was critical, said Graham, even more money would be needed for activities such as domestic tours and mounting national and international marketing campaigns for Canadian acts.

In November 1990, the government announced that the development program, nearing the end of its five-year trial period, would become permanent. However, despite intense lobbying by FACTOR and pleas from several quarters for more money, the government allotment stood at \$4.5 million per year. When inflation was taken into account, the contribution was actually shrinking.

For 1992-93, the sum represents less than one per cent of the Communications Department budget.

The decision not to allocate more money flew in the face of hopes initially expressed by FACTOR executive director Heather Sym.

'There's a need for real money -- \$50 million, \$75 million, \$100 million,' she told The Record in September 1988, shortly before the Ekos and Secor studies began. 'That's how you get an industrial strategy going, not with a few million split between us and Quebec.'

Her comments following the renewal announcement revealed how far her expectations had fallen in an era of Tory restraint.

'We would have preferred more money,' Sym told Billboard. 'But, in these times, we're satisfied that the program is renewed.'

There was some suggestion Masse had difficulty persuading cabinet colleagues -- and their advisers -- that the program should be kept at all. The story was familiar:

Masse, the erstwhile guardian of culture, was pressed to defend his policies before fellow ministers who had little time for frills such as pop music funding while mill workers and miners stood in the unemployment queue.

Still, musicians had problems of their own. For every musician with a recording contract, there were several more struggling to make ends meet.

The 1986 federal report of the task force on the status of the artist found that, on average, no members of any single artistic discipline, music included, earned an income above the poverty line.

Before being succeeded in the portfolio by Perrin Beatty, Masse made some initial legislative steps toward improving the lot of the individual artist.

With the aim of strengthening the financial base of cash-strapped businesses, he introduced the Cultural Industries Development Fund, a five-year program with a budget of \$33.5 million.

The recording industry became eligible to apply for assistance through the fund in July 1991. However, the only initiative that seemed to have a discernible impact on the industry was the Sound Recording Development Program.

But musicians and industry groups typically exhausted these funds early each fiscal year. (In 1990-91, for instance, only 689 of 1,754 applications for assistance were approved.)

Still, Blaine Wilkins, past-president of the Saskatchewan Recording Industry Association, suggested FACTOR was on the right track.

'In order to strengthen these Canadian companies . . . they're going to have to pump some money into them to get them up to a point where they're self-sufficient,' said Wilkins, a production manager and studio owner.

The industry is likely to remain dependent on government assistance. Among the reasons:

--Canadians lag behind Americans when it comes to risky investments, favoring fixed returns from their savings, a 1990 Statistics Canada study found.

-- Ottawa has failed to develop a workable tax-based investment incentive for the cultural industries. A capital cost allowance deduction was implemented to assist the film industry in the 1980s, with mixed results. However, in 1988 the government slashed the amount an investor could deduct from his income taxes. Some suspected that Canada promised the change during the trade talks with the United States.

'Canadian artists need strong independent Canadian record companies almost as much as they need listeners,' writes LeBlanc in his industry study.

'These labels are far more than intermediaries or mere delivery systems. They are often creative partners with

artists in developing music and shaping recording projects.''

But while small companies have struggled in recent years, the big ones have gotten bigger.

CORPORATE CULTURE

Globalization. Competitiveness. Consolidation.

The terms have come to embody a corporate mindset for the 1990s, an era in which entertainment conglomerates loom like titans.

Several large companies involved in recording have a stake in other communications sectors, such as publishing, films, television and electronics.

Since the mid-1980s, there have been numerous mergers and takeovers in the global recording industry:

--German publishing group Bertelsmann purchased RCA Music, forming BMG Music.

--British-based electronics and music giant Thorn EMI purchased SBK Entertainment World's properties and a 50 per cent stake in Chrysalis Records, while its subsidiary Capitol-EMI Music bought a 50 per cent stake in Enigma Records.

--PolyGram bought major independents Island Records and A&M Records.

--Japanese media group Fukisankei obtained a 25 per cent stake in British-based Virgin Music Group.

--Media giant Time Inc. acquired Warner Communications Inc. for \$14 billion, creating the world's largest media conglomerate.

--A subsidiary of MCA Inc. teamed up with an investment group and limited partners to buy Motown. MCA later purchased Geffen Records. In turn, Japanese electronics colossus Matsushita Electric Industrial Co. acquired MCA in a \$6-billion deal, the largest Japanese purchase of a U.S. business.

--Earlier, Japanese electronics conglomerate Sony Corp. had paid \$2 billion for CBS Inc.'s record division.

--The 1991 consolidation of EMI Records U.S.A., Chrysalis Records and SBK Records was expected to result in 140 layoffs.

--In 1992, Thorn EMI purchased Virgin Music Group for just more than \$1 billion.

Despite the international involvement in these transactions, the deals seem to be more about making money than creating music. While the companies have positioned themselves to ensure financial viability in a competitive economic climate, they have gone about the business of producing and marketing recording artists much as they have in the past.

In the wake of the buying sprees, Japanese and German

artists have not surfaced atop the Billboard record charts, and the tastes of the Anglo-American market prevail.

Many of the major decisions of the dominant record companies are still made in New York, Los Angeles and London.

Following Sony's 1989 purchase of CBS, the Japanese corporation promised to 'keep it totally as an American company' to assuage fears of foreign control over a prominent purveyor of U.S. culture.

Similarly, a kerfuffle erupted when Matsushita bought California-based MCA. Responding to speculation the Japanese conglomerate might exercise creative control over the American firm, Matsushita president Akio Tanii said both companies would aim to ensure MCA's independence.

'Creative decisions for MCA will be made by MCA management,' he said.

Indeed, the industry's centre of gravity still lies in the United States. It remains a powerful force for attracting money and talent.

The United States is the world's largest producer and exporter of music, notwithstanding the fact most of the largest sound recording companies are controlled by foreign interests, notes the Industry Department's 1991 profile of the recording industry.

'Even in countries such as the United Kingdom and France, which have large internal markets, the presence of

U.S. music is significant, albeit less pervasive than it is in Canada.''

Exchange of ideas, information and talent with musicians, producers and promoters from different countries makes for a healthy recording industry. Many Canadian musicians have embraced outside influences, incorporating them into music and lyrics that ring true without becoming wrapped up in purely parochial concerns. The way Blue Rodeo interprets a visit to Florida, the manner in which Bruce Cockburn sees American involvement in Central America--these songs say something about Canada as well as its neighbor. Members of the Northern Pikes grew up in Saskatchewan listening to everything from the country twang of Hank Williams Sr. to the hard-edged punk of British band the Buzzcocks. These musical wellsprings have enriched the Pikes' music. Similarly, k.d. lang has drawn inspiration from the East Indian music played on the multicultural radio station she enjoys in Alberta. And Quebec Innu duo Kashtin mix musical stylings borrowed from the Beatles with lyrics sung in their tongue of Montagnais.

Roger Wallis and Krister Malm track the evolution of musical styles in various countries in their ground-breaking 1984 book Big Sounds From Small Peoples. They note that in the 1970s musicians around the world began blending western technology -- electric guitars and amplifiers -- with international pop styles and indigenous musical sounds to

create interesting hybrids, a process the authors dub 'transculturation.'

Young Swedish and Welsh musicians began playing rock music with lyrics in their native languages. At the same time, the 'transnational' pop mainstream adopted elements of local styles, such as reggae from Jamaica.

These trends represent a movement toward democratization in the global music business. However, the U.S. industry still seems to have enormous sway over Canadian musicians when it comes to making a record. Rarely does a major Canadian act such as Bryan Adams draw primarily on homespun talent when undertaking a recording project or concert tour.

While Canadian artists used to go south to develop their careers, they have more of a choice today: the Canadian industry has developed to the point where it can accommodate the needs of many musicians. Still, a number of established Canadian acts rely on a U.S. company, producer or promoter to assist their work in some fashion.

More troublesome is the increasing tendency of young musicians to look directly to U.S. and British labels to help launch their careers. Often they take this route only after failing to find interest in Canada.

When a Canadian company does develop a successful performer, it is often difficult for the firm to come up with enough money to hang onto the act.

Sometimes the contract of a top-selling multinational branch signing is transferred to the parent firm or entirely redrawn. Such was the case with both Anne Murray and Bryan Adams.

When a Canadian artist is signed to a foreign company, it can cost the domestic industry millions of dollars.

In the case of Adams, who is signed directly to A&M in the United States, it resulted in an outflow of at least \$5 million on his 1984 hit album Reckless.

The release generated in the order of \$11 million for Adams and his record company in the form of record, publishing and radio performance royalties, according to the study conducted for the broadcasting task force.

But only the artist's share of \$6 million came to Canada.

'The Adams signing to the U.S. company was a logistical move,' said Bill Ott of A&M Records. 'It had nothing to do with nationalism. I think as a global company . . . that you look at your business, what's good for us and what's good for our artists.'

'And if it's . . . better for our artist to be signed to the English company of A&M then that's where our artist will be signed. And if it's better for the artist to be signed to the Canadian company, and in some cases it is, then that's where the artist will stay.'

In an era of corporate giants, it seems even the branch

operations of the multinationals have trouble competing. For the diffuse, financially shaky Canadian-controlled sector of the industry, the handicaps are even greater.

'As long as Canadian firms remain undercapitalized, it will not be possible for them to accumulate the funds necessary to develop artists, retain big-name domestic stars and successfully market local talent,' says a 1987 study by consulting firm DPA Inc.

It is not only artists that are leaving Canada for opportunities in the States. A few of the elite Canadian independent companies have either moved south or opened branch offices there in recent years:

--Scarborough, Ont.-based distribution firm Maze Music has launched a New York operation with financial support from FACTOR.

--Toronto-based country label Savannah Music Group has opened a Nashville office.

--Vancouver's Nettwerk Productions has opened an affiliate office in Los Angeles.

--Paul Mascioli, president of Prestige Entertainment Agencies Ltd. and his own management company, has joined Spotlite Enterprises Ltd. in Nashville as vice-president of Canadian operations.

David Farrell, publisher of The Record, saw the advent

of free trade as end of an era. The Canadian industry would get a chance to escape the realm of shoestring budgets and finite success, but at a price.

''Things are going to change. We are going to have fewer people populating the industry,'' said Farrell. ''The major labels are going to readjust their overheads in this market. Distribution patterns are likely to change.''

But, conversely, the opportunities to succeed on a grand scale, as opposed to a miniscule one, would be much greater.

''Under the old system, it was the status quo. Nobody succeeded and nobody failed,'' he said.

''We have to go out into the world. And going out into the world we have to give up something.''

CHAPTER FOUR: SOUND AND FURY

This ain't James Bay now
This is Boston Harbor
Get your lifesavers out
Sons and daughters
You ain't gettin' much for free

-- Chalk Circle

During the year of heated debate that followed negotiation of the trade deal, Al Mair tried to explain the agreement to some of the artists signed to his Attic label.

But, like many in the business, they were left scratching their heads.

'I don't think they understand it, none of the ones I've talked to,' said Mair, who also served as president of the Canadian Independent Record Production Association.

'Most of them don't even really understand how the record business works.'

But for Mair and several other entrepreneurs active in the Canadian-controlled sector of the industry, the trade deal contained two red flags: the cultural exemption clause and the removal of tariffs on imported recordings, one of four exceptions to the tricky exemption.

Under the deal, Canada's tariffs on imported recordings would be eliminated in 10 phases beginning Jan. 1, 1989.

Before the first reduction, the tariffs stood at a hefty 13.7 per cent on records, 11.3 per cent on cassette tapes and 9.5 per cent on compact discs.

Some were quick to note that the tariffs were to be phased out regardless of the trade deal under the General Agreement on Tariffs and Trade, the international trade referee. However, these were the final reductions to which Canada was committed under the GATT.

While the U.S. tariffs on recordings would also be gradually removed, they were already considerably lower than the Canadian barriers. When the deal kicked in, the tariffs stood at 3.7 per cent.

As with the notwithstanding clause, the tariff issue wasn't as clear-cut as it first seemed.

Just a few days after the initial text of the agreement was released in the fall of 1987, Canadian Recording Industry Association president Brian Robertson seemed to

ring the alarm bells over free trade.

In a story by Jamie Portman of Southam News published Oct. 8, Robertson lamented the proposed phase-out of the Canadian tariff on imported recordings.

'We have in Canada an important, self-contained manufacturing industry,' he told Portman. 'We also, through this industry, have a sizable investment in Canadian performers. Now, it is endangered.'

Robertson, whose association represents both multinationals operating in Canada and small, Canadian-owned companies, cited a natural, north-south gravitational pull that could prove lethal to the industry under free trade.

'The Americans will now find it much easier to argue that they can supply records to Vancouver just as effectively from Seattle as from within Canada. They will say they can serve the Toronto market out of Cleveland.'

He said that without the tariff there would be nothing to stop a recording company's New York headquarters from treating the Canadian market as just another region of the United States.

'Records could simply be shipped in here from south of the border instead of being pressed in Canada. Decisions affecting the country would end up being made in New York.'

The story also says that the recording industry association had lobbied representatives of External Affairs, Consumer and Corporate Affairs, Finance and International

Trade in an effort to convince the government of the dangers of an open-border policy.

But over the next year and a half, Robertson seemed to gradually change his tune.

In March 1988, he characterized his previous comments as ''basically the worst-case scenario situation.''

The multinationals operating in Canada would make bottom-line decisions about where they have their product manufactured, he said in an interview.

''If it's more economical here, they'll do it here. If it's more economical in the States, they'll do it in the States.''

It would be difficult to tell what impact, if any, the agreement would have on the industry until the mid-1990s when the tariff will have come down by half, said Robertson.

''Through the whole consulting process, we (had) no idea what was happening other than the fact we were told the cultural industries would be exempt, which in fact they are.

''Nobody can give you any intelligent estimate of what's going to happen because they don't know.''

By the time the trade agreement had come into effect, Robertson had completed his apparent flip-flop, downplaying the influence of tariff removal and saying the multinationals likely would remain in Canada.

Of the independent record companies that had criticized the deal, Robertson said there was ''no basis for their

hysteria.

'Most of it's been fuelled by the media, frankly. There is no story in my comments saying that it is a non-issue. The only story is the fact that multinational companies are going to close down the Canadian operations, etc., etc., that's the story. And that's what's been magnified,' he said in January 1989.

CRIA had discussed free trade with the government 'for a number of years,' he added.

'There's been dialogue within our association for the same amount of period, and it's been obviously discussed and reviewed.'

But the divergent interests of the independent companies and the multinationals under the CRIA umbrella made consensus difficult.

'We never established a CRIA position because there were . . . differing views.'

Squarely opposed to free trade was the Canadian Independent Record Production Association, representing dozens of independent record companies.

'We didn't have a general position which we could both agree on,' said Brian Chater, executive director of CIRPA. 'We said different things.'

Robertson's balancing act on free trade fits neatly into the context of CRIA's historical role.

The trade organization was created in 1964 with the aim

of ensuring the economic and political climate remained conducive to the cost-effective production and marketing of recordings.

As one keen student of the business has observed, CRIA has adroitly sat on the fence since its inception, balancing its somewhat contradictory roles of representing both the multinational record lobby in Canada and the Canadian-owned sector of the industry.

It's possible CRIA was formed in reaction to the potential threat to economic viability in the form of cultural regulation imposed by the federal government, surmises Michele Kerschbaumer in her 1984 analysis of the industry and its pressure groups.

Yet, she notes, 'it is difficult to document situations where CRIA has tried to impact on the Canadian public policy process.

'Instead of taking these risks, CRIA pursues economic goals that are common to all of its membership, therefore maintaining the structure, and a low profile.'

So while CRIA has consistently lobbied for anti-piracy protection, copyright reform, the right of Canadian musicians to perform in the United States and similar concerns largely uncontested by other interests -- both inside and outside the industry -- the association has been forced to walk a fine line on free trade.

Kerschbaumer anticipated such a scenario, writing,

'When and if the foreign record companies ever take a stance through CRIA on some controversial issue, they are, due to the nature of CRIA as a representative of the entire record industry, including the Canadian element, able to camouflage their actions from the Canadian public behind CRIA's (group) structure.'

Could Robertson, who seemed quick to push the free-trade panic button, have backtracked somewhat following the admonishments of his multinational association members?

Or perhaps he was merely reflecting a shift toward cautious comment on the suddenly controversial issue on the part of association heavyweights.

For instance, CBS Canada president Bernie DiMatteo told Billboard in January 1987 that he thought the Canadian industry would suffer if records were allowed to flow freely across the border.

'There is a much higher risk of U.S. companies generating surplus records than Canadian companies,' said DiMatteo. 'If they unload that surplus into Canada, it would have a dramatic negative effect on our industry here.'

However, contacted in July 1989, DiMatteo, who has since moved on to the company's New York operation, declined to discuss free trade.

The bottom line was that the tariffs would be removed.

As one government official involved in trade issues

said, the negotiations proceeded with the aim of 'the progressive reduction and elimination of all the tariffs.'

In any case, in late 1987, a debate was born.

But many months before the government agreed to concede the record tariffs, the Communications Department was busy analysing the potential impact of free trade on the industry.

A copy of a 17-page working paper prepared by the department, apparently written in early 1987, was obtained in March 1991 under the Access to Information Act.

The unpublished report, drafted in French, says the expected impact of free trade would be fewer recordings manufactured in Canada, a general decrease in record industry activity and more decisions affecting Canada being made in the United States.

The report recommended that the tariffs on imported recordings be maintained or at least eliminated gradually to enable the industry to adapt, saying elimination over a period of less than 10 years 'would be catastrophic' for the business.

The report also:

--Questioned whether, under free trade, the handful of multinational companies that dominate the international record business would continue to treat Canada as a market distinct from the United States.

--Cited trends in Europe in suggesting that the

Canadian and American agencies that collect mechanical licence royalties -- paid to authors and composers of songs -- would be drawn into competition by powerful record companies seeking the best deal. Artists would lose out under the new process.

--Says the Canadian branches of the multinationals risked being weakened by free trade and might give up distributing Canadian independent product and signing Canadian artists.

--Suggested more funds be allotted under the Sound Recording Development Program -- instituted in 1986 to assist the Canadian industry -- to offset the effects. (The \$5-million a year fund was made permanent in November 1990 with no funding increase.)

But the report also called for control over foreign investment in the industry, citing domination by multinationals primarily interested in selling foreign product ''to the detriment of domestic production and the emergence of Canadian talent.''

With the aim of alleviating the negative impact of tariff elimination, it also recommended:

--Increased efforts at the border to intercept illegal shipments of recordings from the United States that cut into Canadian sales.

--Protection of Canadian content quotas on radio.

--An increase in the mechanical royalty rate to match

the higher rate in the United States. (This issue was subsequently addressed by long-awaited reforms to federal copyright legislation.)

It seems the in-house report carried enough weight to prompt the department to commission two independent studies of the issue.

The contents of the first of these reports came to light in September 1988.

A Southam News story by Jamie Portman detailed the conclusions of a study conducted by Toronto economic consultants Arthur Donner and Norman Mogil that predicted disaster for the record business in Canada under a free-trade deal.

Submitted to the Communications Department in May 1987, the report forecast damage to Canadian branches of foreign-owned multinational record companies, Canadian-owned record firms and performing artists.

According to Portman's story, the government had repeatedly refused to make the report public, resisting requests for copies under the Access to Information Act.

Toronto recording studio owner Andrew Hermant expressed his disgust at the apparent suppression of the study in an interview with The Record. The government could at least have canvassed record producers for feedback, said Hermant, who served on a free-trade watchdog committee of cultural industry executives during the Canada-U.S. talks and again

during the North American free-trade negotiations.

A copy of the 25-page document was obtained by Liberal communications critic Sheila Finestone and passed on to Southam News.

The study says the existence of the Canadian-owned companies is tied closely to the presence of multinationals, and that the fate of the multinational subsidiaries in a free-trade regime would have a significant bearing on the Canadian segment of the industry.

'We suggest that the loss of the tariff combined with an increase in Canadian manufacturing costs (should the Canadian dollar continue to appreciate) would result in the complete loss of manufacturing production by the multinationals,' the authors concluded.

'More importantly, the multinationals would likely reduce or eliminate their Canadian distribution activities; instead, they would operate out of the United States and treat Canada just as another sales region within North America; that is, maintain a local sales force in Canada, directed by head office in the United States.'

The loss of the multinational distribution network--including such functions as warehousing, marketing and promotion -- would have serious consequences for the smaller Canadian-owned and operated firms.

'Without the presence of the multinational distribution system in Canada, Canadian artists and

producers would not have the access to the promotional and marketing facilities so necessary to achieving international market exposure.''

Canadian companies simply did not have the financial strength or distribution connections to promote successfully in North America, the report says.

'The Canadian firms would suffer as Canadian artists and producers move to the United States in search of recording companies which will provide them with the necessary marketing exposure.''

The report concluded that there was a significant possibility the multinationals would wind up their Canadian subsidiaries. It cites the fact that their operations were largely centred on warehousing and wholesaling -- two activities that do not require major capital investment and that can be eliminated in less than five years.

'The recent history of multinationals operating in Europe (points) to several firms rationalizing their operations by closing down multiple production centres in the interest of efficiency. The same could happen in Canada.

'In the absence of any counteracting policies by the federal government, the industry should be given a 10-year horizon in which to adjust to these changes,' added the consultants. 'Any period less than this would place too much of a burden on the industry, especially the Canadian-owned firms.''

For the Mulroney government, which had promised long-term economic benefits in exchange for the short-term pain of adjustment as tariffs dropped, these were perhaps the only agreeable passages in the gloomy study.

(By the spring of 1990, Canada and the United States had agreed to speed up tariff reduction on hundreds of items, but sound recordings were not among the goods.)

Interestingly, the study also says that losing the tariff "seems to be a greater issue of concern" for CRIA than CIRPA, lending credence to the theory that Robertson was indeed worried about a trade deal, at least during the early going.

But a second study conducted for the Communications Department paints a considerably brighter picture of the recording industry under free trade.

Delivered to the department in January 1988, the report by Woods Gordon management consultants cautiously concluded that enough multinational firms would remain in Canada to continue a viable distribution system.

The 20-page study offered four main reasons to support this view:

--Canadian music tastes differ somewhat from American ones, and the labels that best serve these tastes will increase their Canadian sales.

--Most majors have sizable investments in Canada and

make good profits.

--Attempts to transfer or restructure Canadian operations would be resisted by the executives of each subsidiary and perhaps by the international division of the parent company which, in some cases, is responsible for the Canadian operation.

--Record shipments must be made promptly, making market proximity important. This likely would hinder attempts to serve Toronto from New York or Chicago.

'We do not share the concern of the independents regarding the free-trade consequences,' says the report. 'Our discussions with the majors and others lead us to believe that most will remain active in the distribution of sound recordings, though possibly less so in the Canadian A&R area.'

But aside from concerns about diminished artist and repertoire development by the majors, the authors had other nagging reservations. While decidedly less alarmist than the Donner report, the Woods Gordon study says that because the agreement would focus more attention on bilateral trading strategies, 'it is possible that some majors may re-evaluate the scope of their Canadian operations.'

The report also expresses concern about the subsidy talks required by the deal. It says that while Canadian content regulations for broadcasters and the government's Sound Recording Development Program were unaffected by the

text of the agreement, they could be threatened by the ensuing trade-law discussions -- to be concluded by 1996.

It was a theme that would emerge later that year as factions began to draw battle lines over the trade deal.

TAKING SIDES

The agreement became the subject of intense scrutiny and passionate debate not only in the business and academic worlds, but also at the local tavern and around the kitchen table.

An issue as old as Canada itself, free trade dominated the country's public agenda in 1988, while attracting only scant attention south of the border.

Because of the sweeping nature of the resulting agreement, concerns such as energy, agriculture and social programs overshadowed culture, rarely perceived as a bread-and-butter industry.

Cultural sovereignty had become a popular, if fuzzy, catch-phrase, and there was widespread debate as to whether the cultural industries were indeed exempt from the agreement.

But outside industry circles there was little discussion of what the deal would mean to the individual cultural sectors.

Commentators paid more attention to the worries of

grape growers, dairy farmers and textile manufacturers than independent record companies.

In an attempt to sound out the industry on the nuts and bolts of the provisions in question, City-TV's ''New Music'' program staged a two-hour forum on the issue in Toronto on Feb. 25, 1988.

The session featured a panel of industry representatives and politicians, as well as an audience of about 30 artists and interested observers.

The forum, organized by ''New Music'' producer and MuchMusic host Denise Donlon, was a well-conceived addition to the swirl of controversy over the music industry's future under free trade. The resulting half-hour special culled from the discussion was broadcast a number of times prior to the 1988 election, and prompted several articles in the trade press.

''What happened after Donlon opened the discussion with a question on the elimination of tariffs on imported records and tapes was the spontaneous bonding of disparate parties into a common alliance against free trade,'' David Farrell, publisher of The Record, concluded in Playback, another influential industry publication.

Publicist Richard Flohil, a veteran of the domestic music scene, recorded his impressions of the forum in The Canadian Composer magazine.

''The opinion of those present, clearly, was that the

effects of lowered tariffs would be to damage, perhaps irreparably, the access of Canadian artists to the record industry.

'If indeed there are people in the record industry who are looking forward to free trade -- and perhaps relishing the challenges and new opportunities it might bring -- they were remarkably inconspicuous during the taping.'

The mood seems to have raised the eyebrows of music journalists used to the unwaveringly optimistic attitude of most record industry types, who routinely seem confident the next album they record, promote or sell will top the charts.

The forum also garnered attention in the daily press. 'Trade deal strikes fear into hearts of musicians' reads the headline over a Canadian Press story in the Toronto Globe and Mail.

In the Commons the following Monday, Liberal MP Sheila Finestone, who appeared on the forum panel in her capacity as party communications critic, lauded City-TV for staging the event.

'This industry was unanimous in its concerns,' said Finestone, citing tariff removal and the notwithstanding clause.

'These measures will place our recording artists on the fringes of their own domestic market, with Canadians singing 'Born In the U.S.A.' rather than 'Alberta Bound'.'

The lively 'New Music' forum set the stage for a more

sober public examination of the issue five months later when representatives of CIRPA made their case against the deal in Ottawa.

With its membership divided on the issue, CRIA did not appear before the Commons committee set up to study legislation related to the trade deal during the summer of 1988.

CIRPA, though, went on the offensive, releasing a position paper denouncing the deal, outlining its concerns at the parliamentary hearings and teaming up with 12 other cultural groups to form an ad-hoc lobby against the agreement.

The Cultural Industries Alliance, convinced the deal would inhibit or prevent the introduction of government measures to bolster culture, issued a joint statement spelling out its opposition to the pact.

The agreement ''sharply and unacceptably constrains Canada's ability to to take the necessary measures in the future to provide fully for the expression of values, creativity, ideas and talent of Canadians throughout the country, and for such activities to occur under the control of Canadians,'' stated the alliance.

However, there was a split not only within CRIA, but also, to an extent, inside the executive ranks of CIRPA.

CIRPA president Al Mair, head of Toronto-based Attic Music Group, was a vocal opponent of the trade deal, despite

the fact his stable of artists possibly sold more records in the United States than those of any other Canadian independent.

While Mair's wariness typified the feelings of many association members, CIRPA executive director Brian Chater seemed undaunted by the prospect of free trade, at least on a personal level. Seeing the formation of large trading blocs as inevitable, he even drew up a report for colleagues outlining why they should embrace free trade.

However, on a late July afternoon in O'tawa, the two men came out united against the trade deal at the parliamentary hearings.

While the aim of the committee was ostensibly to examine Bill C-130 -- the legislation that would pave the way for the signing of the free-trade agreement -- the sessions were largely a forum for debate on the agreement itself.

However, only two hours had been set aside for cultural issues, much to the chagrin of the industry alliance, which fired off a telegram of protest to Tory MP Jack Ellis, chairman of the committee.

Sandwiched between presentations by the Canadian Alliance for Trade and Job Opportunities (a pro-free trade lobby group) and the Association of Canadian Publishers (a fellow cultural industries alliance member) the CIRPA envoys made a 40-minute appearance.

It was marked by the hurried atmosphere, ill-informed questions and partisan political shots that had become staples of most parliamentary proceedings.

But Chater and Mair managed to mount a cogent case against the deal. In outlining CIRPA's opposition, Mair, who did most of the talking, cited three main concerns:

--Anticipated negative effects of the notwithstanding clause and the deal's dispute-settlement mechanism 'on public policy in assisting the development of a successful Canadian independent record industry.'

--Restrictions the deal might pose regarding future changes to Canadian content regulations for private broadcasters.

--Potential for disruption of the distribution system and the resulting damage to Canadian independents.

A shift in recording distribution patterns -- from east to west to north to south -- would be extremely detrimental to the survival of such companies, said Mair.

'Without access to markets country-wide, the sector will suffer severe financial damage,' he said. 'It will almost certainly result in its total elimination within a relatively short period of time.'

While CIRPA had prepared a brief for the committee, the association had obtained a copy of the Donner report only

that day. Mair read it during the afternoon plane ride to Ottawa.

"It supports almost everything we suspected," he testified, proceeding to read to the committee sections of the report he had highlighted.

Mair also put in a general pitch for the recording industry, with the apparent aim of dispelling some common misconceptions about the business.

"There is a great deal of empirical evidence that of all the cultural industries, the music industry has the greatest growth potential in both cultural and economic terms and is the most cost-efficient in public policy terms," he said.

"For example, Canadian records are far more widely available and enjoyed by the Canadian public than Canadian films.

"Obviously it would make eminent sense to Canada to revise its public policy to recognize this reality and its potential benefits," Mair told the assembled MPs.

"However, with the constraints placed on public policy options by the proposed FTA to assist the growth and international success of the Canadian independent music business, we have grave concerns that this exciting potential and great cultural and economic benefit to Canada will ever be realized."

Chater put it more simply.

'We are trying, as it were, to forecast the future, which is difficult at best,' he told the committee. 'But we are trying to save our industry from problems which we feel we should not have to fight.'

Chater summed up these fears when he told the MPs, 'Our overall concern is that the whole culture area is open for discussion in the next few years, as we see it, in view of the subsidies and in view of what is a subsidy and what is not.'

In an interview, he explained the rationale behind his cautious approach.

'Every group in the world plays politics. You're trying to protect your interest,' he said. 'If there is a problem, we want to make sure we're on the right side of everybody knowing about it. If there isn't, well, fine, at least we're not caught out in left field.'

But as the director of an association comprised largely of members struggling simply to stay afloat financially, Chater had a number of more urgent matters on his plate.

Reforms to the 64-year-old Copyright Act and an overhauled Broadcasting Act were both 'day-to-day, absolute necessities,' said the bespectacled, fast-talking Chater.

Indeed, with Canadian recording artists being paid at a royalty rate set in 1924, and their foothold on the national airwaves at stake, an issue as unpredictable as free trade must have seemed rather secondary.

As Chater told Kathryn Young of The Canadian Press in May 1989, ''We may not have to worry about free trade in five years. We won't be here.''

Chater, an English-born entrepreneur who once ran a record label himself, later admitted he was being somewhat facetious, saying the trade agreement could pose problems for the industry.

''It may or may not be of critical importance.''

But more tangible concerns did exist -- and chief among them was the need for serious investment in the independent sector.

To that end, Mair testified that FACTOR, the primary agent of the government's Sound Recording Development Program, compared more than favorably to Telefilm -- the federal film and television development fund -- in its effectiveness.

He went on to decry the level of funding for the recording program, dwarfed by that of Telefilm. ''We have to have an economic base,'' said Mair.

''Until FACTOR or the SRDP came along, we had no support from the government in the slightest.

''FACTOR is, I suggest, a drop in the bucket.''

Asked by Liberal MP Sheila Finestone what would be needed to support the Canadian industry should the predictions of the Donner report come true, Mair said ''it will require massive government support to even retain what

we now have, because I would not expect it to come from private industry.'

Yet the notwithstanding clause -- with its threat of retaliation against government subsidies to culture-- nullifies the cultural exemption and dampens the prospect of substantial federal support for the industry, said Mair.

'The notwithstanding clause destroys the exemption, as far as I am concerned, and as long as there is the notwithstanding clause, we are dead in the water.'

Added Chater: 'I agree with that.'

The seamless presentation in Ottawa belied the fact each man held a markedly different attitude toward the American recording industry.

Chater, believing the Canadian and U.S. industries had more in common than not, espoused a conciliatory approach to matters of mutual concern.

It might prove unprofitable for the Recording Industry Association of America -- the U.S. counterpart of CRIA -- to get on CIRPA's bad side, Chater suggested.

For instance, with the Canadian industry actively lobbying the government on a number of copyright issues, he said, CIRPA could spurn the RIAA by pushing to cut American interests out of any deals.

'In other words, we're doing things that the RIAA in the States wants to do.'

Mair, on the other hand, seemed to harbor few illusions

that the hard-nosed U.S. industry saw Canada as more than an extension of the American market.

He revealed the basis for some of his suspicions at the parliamentary hearings.

'The phasing out (of the tariffs) has definitely brought to the attention of the multinational companies that perhaps they should look at doing business differently in Canada after the FTA is implemented,' said Mair.

'That goes as far as Nesuhi Ertegun, deputy vice-chairman of WEA International (Warner's parent company), who in a discussion on a plane last January with one of our vice-presidents -- and I was on the same plane -- indicated that WEA International worldwide is already looking at the way they do business in Canada and within five years expect to see major changes.'

A 1989 letter soliciting Ertegun's views on free trade went unanswered. Ertegun, who helped mould Atlantic Records into a first-rate jazz and rhythm 'n' blues label, died in July of that year from complications following surgery.

While one conversation on an airplane may mean little, Mair's story did underscore the point that the fate of the Canadian branch operations of the multinationals ultimately rests largely in the hands of foreigners.

If it were up to the people who run the Canadian operations, they likely would continue to operate much as they have for the last decade. Indeed, many would opt to

devote even more time and money to Canadian talent than they do now.

"There are people who have deep commitment to music who are working in multinational labels," said Kirk LaPointe, Billboard's Canadian correspondent for most of the last decade.

That commitment has been evident in a number of initiatives in recent years. Following a period of varying degrees of inactivity, BMG, PolyGram and Sony (formerly CBS) have taken a renewed interest in Canadian talent. Sony, for instance, has made Quebec artist Celine Dion a North American chart success. Warner Music, A&M and Capitol have developed solid relationships with a diverse range of the best independent labels.

Warner has helped foster Canadian roots music--country, folk and blues -- through its distribution deal with Alberta's Stony Plain Records and its support of acts such as Blue Rodeo. Meantime, A&M has become the Canadian market's premier distributor of children's music, and Capitol has established a separate division to sign and produce rap and dance artists.

A number of the majors have bolstered their presence in Quebec, with BMG setting up a new offshoot to tap talent. The label has also issued a three-album compilation tracing the history of Canadian rock music.

MCA recently took a chance on a new label, striking a

distribution deal with Justin Entertainment. And Virgin, one of the smaller multinationals, has provided unflagging support for two of the brightest Canadian acts, Saskatoon rockers the Northern Pikes and Cape Breton singer Rita MacNeil.

The hard work and dedication have helped Sony and Capitol elevate their status within their respective global corporate families.

However, there is evidence that federal arm-twisting has prompted the renewed commitment to Canadian talent by the multinationals.

Investment Canada, the federal agency that screens foreign purchases of businesses operating in this country, approved PolyGram's 1990 takeover of the A&M and Island labels in Canada only after the new group agreed to sweeten PolyGram's commitment to developing and marketing Canadian talent. LaPointe reported in Billboard.

The practice appears to have become standard in such cases, despite the fact the deals usually originate with the parent companies outside Canada.

'In the past, takeovers and mergers involving such firms as WEA Music of Canada (now Warner), CBS Music Products and Capitol-EMI of Canada Ltd. have been approved only when certain domestic talent concessions have been extracted,' LaPointe wrote. 'Given the size of those firms, such measures have resulted in record amounts being

invested in Canadian music.'

That figure was estimated to be more than \$20 million in 1991.

But free trade might see the budget shrink, according to one multinational executive. He told Woods Gordon his company might maintain its distribution and manufacturing presence in Canada, while reducing expenditures on Canadian artists and repertoire.

'He suggests that the majors spend more than economically justified on Canadian A&R in order to please the Canadian government and to avoid potentially damaging legislation,' says the consulting firm's 1988 study. 'He suggests that the free-trade agreement would reduce Canadian bargaining leverage in this area.'

In 1990, then communications minister Marcel Masse suggested the CRTC might be granted powers to scrutinize ownership of the business.

In 1987, his own department said it considered 'some form of foreign-investment control to be essential' for the industry.

In its assessment of free trade, the department said the business was 'already sufficiently invaded' by foreign multinationals that 'give priority to marketing foreign products to the detriment of domestic production and the emergence of Canadian talent.'

Indeed, all of the foreign-owned majors initially set

up Canadian operations as a means of selling product their parents had developed elsewhere, concluded the 1982 Woods Gordon study.

When sales climbed to a level high enough to justify a full-time distribution network -- instead of using another company's network -- a separate operation was started in Canada, says the study.

As early as two decades ago, the looming threat of federal regulation encouraged the multinationals to establish firm roots in Canada.

The prospect of the introduction in 1973 of the Foreign Investment Review Agency, as Investment Canada was known in its initial incarnation, "firmed up the foreign-owned corporate structure in Canada," says the report.

In essence, the crux of the federal government's ambivalent policy towards the multinationals, then as now, has been to ensure they behave as good corporate citizens.

On the one hand, the government seems to have accepted the fact that the primary goal of the multinational subsidiaries in Canada is to reap profits selling foreign product. On the other hand, it has tried to win benefits for Canadian recording artists in the process, namely the fiscal and marketing clout of the foreign-owned firms.

However, along the way, some of the multinational branches seem to have developed a distaste for government regulation of the industry.

At worst, it manifests itself in a lack of multinational sector support for Canadian content regulations and the Sound Recording Development Program and, at best, a casual indifference towards such support mechanisms.

Even the most benevolent of multinational executives working in Canada has questioned the value of initiatives such as FACTOR.

'My feeling has been negative since day one,' said Warner Music president Stan Kulin. 'I thought it was a political move. I don't really see it benefitting anyone.'

Yet several artists that have recorded for independent labels distributed by Warner, including Blue Rodeo, have drawn on FACTOR funds to make recordings.

Indeed, the rise of the award-winning Blue Rodeo to critical and popular prominence in the late 1980s seemed an affirmation of the best aspects of the Canadian industry.

A healthy mix of ingredients propelled the group to commercial success and three consecutive Juno awards as band of the year: initial support from Toronto independent label Risque Disque, record distribution and promotion by Warner Music, supportive video airplay by MuchMusic and incessant cross-country touring on the bar circuit.

However, the collapse of Risque Disque in July 1990, partly due to money troubles, highlighted the enormousness of the financial gap between the majors and the indies,

despite the federal development program.

And even the multinational subsidiaries are reluctant to bankroll the careers of some of the best-known Canadian acts. Consequently, pop artists such as Alannah Myles, the Jeff Healey Band, Colin James and The Pursuit of Happiness have signed directly to American labels in recent years.

A number of country artists -- including k.d. lang and Michelle Wright -- and Tafelmusik, the acclaimed baroque orchestra from Toronto, have done the same.

'In addition, such acts as Cowboy Junkies, Corey Hart and Prairie Oyster record largely under the guidance of their U.S. labels,' notes Larry LeBlanc in his 1990 industry study.

Despite their relatively deep pockets, it seems the subsidiaries north of the border are willing -- or able-- to do only so much.

For instance, the MCA signing of Kingston, Ont., rock band The Tragically Hip -- voted Entertainers of the Year by fans in 1991 Juno awards balloting -- was bankrolled by the conglomerate's California head office.

It's sometimes best for the parent company to undertake expensive signings -- the Hip's deal was reportedly in the six-figure strata -- since it is better equipped to absorb losses than a subsidiary, said Stephen Tennant, MCA's national marketing manager in Canada.

And acts are signed by MCA Canada, and indeed most

multinationals, with an eye fixed on the American market.

'Every Canadian artist that we sign directly has the blessing and support of our parent company because . . . it's almost impossible to sign and develop a Canadian talent and make a profit in this country,' said Tennant.

'Without U.S. distribution, without a U.S. signing and, hopefully, development of that Canadian artist, then all the CanCon regulations in the world won't make us money.'

Despite an abundance of first-rate recording studios in Canada, American involvement in Canadian careers has seen a host of acts, including The Tragically Hip, head south of the border to record with U.S. producers and musicians.

Country artists lang, Anita Perras and Michelle Wright, and rockers Barney Bentall, Celine Dion, George Fox, Colin James, Sue Medley, and the Northern Pikes, among others, have collaborated with American songwriters, producers or musicians on recent releases.

Even Blue Rodeo has enlisted the help of an American record producer and management company in an attempt to crack the U.S. market.

A number of Canadian producers have also ventured south. Dave Tyson, who produced the best-selling debut album by rock singer Alannah Myles, resides in Los Angeles.

David Foster, who has worked on a number of high-profile American projects, also lives in California.

Economic realities and the trend towards foreign signings of Canadian artists are starting to alter the industry's financial equations and influence creative decisions, writes LeBlanc in his industry study.

'Some industry executives see the day approaching when a recording could be made in Canada primarily for distribution abroad with sales in this country secondary.'

In light of rising costs, the growing multinational stranglehold and the chronic financial woes of the Canadian-owned sector, there is little wonder Chater hedged his bets on the future of the business.

And his wariness about the ability of the government to intervene in the cultural domain under the trade deal becomes easier to understand in light of the schemes Chater has proposed to bolster the independent recording sector.

In a 1986 study he co-authored for the federal Task Force on Broadcasting Policy, Chater advocated creation of a 'special Telefilm-type fund' administered by a new body, Teledisc Canada. It would be funded through a government-sponsored levy of 50 cents on all retail sales of recordings.

'The fund would pay for up to 50 per cent of any production,' writes Chater and his associates. 'By this means a \$30-million fund would lever another \$30 million, making a major investment in the Canadian recording industry of \$60 million.'

The study also recommended: tax benefits that encourage investment in recording and music publishing industries; loan guarantees and interest subsidies for qualifying companies; subsidization of one or more Canadian distributors; tax credits for companies that are at least 75 per cent owned and run by Canadians -- based on expenditures on Canadian content masters; and tax credits to encourage broadcasters to make larger financial commitments to FACTOR/CTL/MusicAction.

But even before negotiations began, Chater and his colleagues recognized that such a scheme might violate the spirit or letter of a trade agreement.

'By necessity in a small market such as Canada, creators have to export to survive and in consequence have always been very 'free-trade' oriented.

'Without programs that encompass such tax incentives or funding, such as that which might come from a Teledisc Canada agency, there is no way that the creative sector in Canada can survive. Therefore, 'totally free' trade is not an option if we wish to have cultural industries.'

While Chater's wish list for the industry might seem unattainable, his suggestion of a government record agency has a solid precedent.

A key recommendation of the comprehensive 1982 Woods Gordon study was formation by the government of a joint-venture company with the private sector to assist Canadian-

owned labels.

The company would draw on a pool of \$20 million--equal parts public and private money -- to provide both equity and loan financing to commercially promising Canadian labels.

'It is intended to help the medium-sized firm that wants to grow beyond the one or two artist stage,' says the report.

'It would enable independents to compete against majors for outstanding Canadian talent since they will have better financing to provide more lucrative contracts.'

Some of the study's recommendations have been gradually implemented through the 1986 Sound Recording Development Program and the 1990 Cultural Industries Development Fund. But the government has shied away from making changes that would affect the structure of the industry.

The independent sector has remained financially strapped, a problem the joint-venture company was designed to solve.

'Substantive financial backing is vital for the success of a viable Canadian-owned sector,' says the report, citing the goal of creating up to 10 strong independent companies with average sales in excess of \$6 million a year.

A decade later, that target is still out of reach, with only a few independents bringing in \$5 million in annual

revenues.

Despite the modest success of such firms, the Canadian presence in the record business is a diffuse one. Whereas public ownership of Petro-Canada and Air Canada provided the country with windows on the oil and airline industries, respectively, there is no equivalent in recording.

With the advent of the free-trade deal, many say it is almost certainly too late to create one.

In the long run, Canadian music could be the loser in a system dominated by the bottom-line concerns of broadcasters, retailers and multinational record companies.

DISTRIBUTION

Rita MacNeil set out from her home town of Big Pond, N.S., in pursuit of singing career in the early 1970s, but wound up in Ottawa a decade later scrubbing floors to make ends meet.

A divorce, the strain of raising two children alone and countless rejections in the music business left her undaunted. She returned home to Cape Breton and, with more time for her music, released a pair of independent albums, garnering modest sales of about 10,000 each.

A management deal with a Halifax company followed.

Flying On Your Own, her 1986 album released on her own Lupins label, sold strongly in the Maritimes, where audiences had fallen in love with her heartfelt songs of hope and determination.

Central Canada began to sit up and take notice, and the album was picked up by the Toronto-based subsidiary of Britain's Virgin Records. It was distributed nationally on the Virgin label through the company's arrangement with the Toronto branch of California-based A&M Records, hitting the platinum-plus sales level of well over 100,000.

The record was no fluke, merely the first in a string of successful recordings as her popularity grew across the country.

Within three years her first three Virgin releases had sold more than 700,000 copies and she won a 1987 Juno as most promising female vocalist.

Suddenly, at age 44, MacNeil was a Canadian star.

On the strength of her domestic sales, she signed a record deal with English company Polydor for foreign territories, and has charmed packed houses in Britain and Australia.

MacNeil's music -- like the singer herself -- remains firmly rooted in Cape Breton, expressing universal themes through stories with a sense of place -- the daily struggle of the coal miner or the natural beauty of Nova Scotia.

The success of her music is a testament to the best

elements of the Canadian industry, a system that allowed MacNeil to develop her talent from a regional base on her own terms.

But it is also a fragile system, dependent on a mix of savvy Canadian independents and foreign companies with financial and marketing clout.

The arrival of the trade agreement had several independents worried the deal would upset the domestic apple cart, leaving them without effective distribution and access to Canadian retail outlets.

Some scoffed that the long-protected independents were afraid to stand up and compete in the global arena.

But things aren't quite so simple, protested many of the indies.

Attic Music Group's Al Mair stressed the importance of developing acts at home before tackling world markets.

'We make international records. If we do not have a healthy industry here, we cannot expect to have success internationally and the whole system will collapse,' Mair told the Commons committee studying the deal in 1988.

The system has worked well for Mair, who helped build successful careers in Canada for acts such as the Rovers and the Nylons, then licensed them for release in foreign territories.

Since the Toronto-based company's inception in 1974, Attic has continually rejuvenated its talent pool with new

signings. As the Nylons began to rack up significant sales south of the border, Mair was nurturing the career of Prince Edward Island rock group Haywire.

An act must be prepared before tackling a vast market such as the United States, said Mair, who discovered Gordon Lightfoot playing in a Toronto pub in the late 1960s and managed the singer-songwriter during the early years of his career.

'One of the strengths of Canada has been that most of the acts -- before they get released in the States -- have had a number of years of experience under their belt and, when things happen, they're ready.'

In Britain, on the other hand, there has been a tendency to thrust new artists into the spotlight with lots of fanfare but little performing or recording experience to back them up.

'You get a lot of what we call flavors of the month,' said Mair. 'They have a hit record and they're never heard of again.'

If a young Canadian act signs with a U.S. label and flops with its first release, often it doesn't get a second chance.

But many see the Canadian market as somewhat less cut-throat -- even a band signed to a major label might get two or three shots at proving itself.

In Canada, the multinationals dominate the distribution

of recordings, a cost-intensive business made difficult by the formidable geography of the country.

Reports estimate the multinationals earn up to five per cent of their revenues through distribution of independent product. 'It's very much a deal stacked in favor of the multinational label,' said Kirk LaPointe.

In turn, the multinational distributors sell recordings to sub-distributors, many of which are Canadian-controlled. About 10 sub-distributors -- six located in central Canada and four in the regions -- account for 85 per cent of the recordings sold by larger distributors.

The sub-distributors, which carry between about 400 and 2,500 titles, sell wholesale to retail chains and department stores, and service independent record stores.

However, the sub-distributors carry a minimal amount of product purchased from smaller Canadian distributors, meaning an artist without a multinational distribution deal can find himself largely shut out of the system.

'The way the business is becoming structured, not only here but worldwide, the international pipeline's controlled by five or six companies,' said Chater shortly after the trade deal took effect.

In his 1983 book on the cultural industries, policy analyst Paul Audley expressed concern that the multinationals exercised such a high degree of control over the system 'that Canadian recordings can succeed only to

the extent that directly competing foreign firms are willing to give them effective distribution.'

However, for independents that do secure such deals, the benefits can be substantial.

The multinationals have sales representatives in major centres across the country to promote new releases to radio stations and retail outlets.

'Hand in hand with distribution you have to have reps out there as well,' said LaPointe.

An aggressive agent visiting a radio station can be 'a huge battering ram' for an independent record because it's often being promoting alongside the latest release by an established artist, LaPointe suggested.

The numbers indicate that a representative can do wonders for business.

Mary Armstrong helped dramatically boost sales for WEA (now Warner Music) when she became the only multinational representative in the national capital region during the mid-1980s.

Any market can be serviced without an agent, said Armstrong. 'But having a hands-on person definitely makes a difference.'

The need for personal contact and prompt, efficient service are good business reasons to maintain distribution networks and regional sales offices in the free-trade era, argued several multinational representatives.

'I don't think you can have a company out of the U.S. servicing the eastern seaboard including some of the Canadian provinces,' said Brian Robertson of CRIA.

'It's not the United States market at all, and it's got its own unique marketing areas, it's got its own distribution setups.'

But Mair, who began his music industry career working in the accounting department of Capitol Records, cited another example.

'Which is cheaper, to service Vancouver from Toronto or Vancouver from Seattle?'

Indeed, some argued that the distribution system based on historical lines simply wasn't cost-efficient.

'So the east-west axis that we have for distribution now will probably change over time,' predicted David Farrell of The Record as the tariffs began to tumble under free trade.

'It means that we lose a degree of autonomy that we now have. So it would become more difficult, perhaps, for Canadian records without a label deal to find distribution in the Canadian market.'

That fear was expressed by Holger Petersen, owner of Edmonton's Stony Plain Records. Some Canadian acts might get lost in the shuffle if the Vancouver market were served by a Seattle-based distributor, he said.

'I doubt if that distributor is going to have much

empathy with an Ian Tyson or a Rita MacNeil, for example.'

Some suggested that, conversely, free trade could see Canadian centres become central distribution hubs.

Hypothetically, A&M could service Vancouver from Los Angeles, said the firm's Bill Ott.

'We could also serve all the mid-western states from Calgary. That's equally valid. Calgary's bigger than any city in all those states that are just below the Canadian border.'

But at least one major-label executive was not overly optimistic about such a development.

'We'd like to be able to think that, potentially, there is a chance that Toronto could serve as the hub for the American northeast . . . or even further,' said Stephen Tennant of MCA.

'It's doubtful, however, that the American parent company would close down an American branch so that . . . a foreign country would service America. So it's a slim chance.'

Some multinational representatives, including Tennant, candidly acknowledged that the idea of head offices rethinking their operations to take advantage of free trade couldn't be dismissed out of hand.

'There is a potential for or possibility of shutting down a Canadian operation,' said Tennant, a native of New York state who emigrated north in 1970.

'I also don't think it's necessarily a positive thing for Canada, generally. I mean, I think it could be a very negative force down the road.'

Alan Dyer, vice-president of finance at Sony Music Canada, said the company had simply made decisions based on sound business practices. But as the tariffs fall, 'those decisions will become tougher as the spread narrows,' he added.

The majors continue to operate small offices in the larger Canadian centres outside Toronto. But during the 1980s the larger companies gradually narrowed the scope of their operations -- selling off record-pressing and tape plants and leaving the complex business of compact disc manufacturing to specialized firms.

And during the late '80s, multinational warehousing operations became more centralized, noted Farrell.

'Most of the record companies at one time had warehouses in western Canada and at least one had one in the eastern part of the country.'

In the wake of the PolyGram/A&M/Island amalgamation, the A&M warehouse in Toronto closed. Sub-distributors have also closed regional warehouses.

Pindoff Record Sales Ltd., owner of the Music World retail chain, shut its Calgary warehouse in early 1990 with plans to service all accounts from Toronto. Later that year, Handleman Inc. closed its Maritime distribution warehouse,

the last such operation in the Atlantic provinces.

CRIA's Robertson had anticipated such moves.

'There's been a lot of consolidation in warehousing, but it's been because of costs.

'So that'll continue,' he said in 1989.

'The record companies now are a lot more efficient than they were in the 1970s. But that's basically good business sense. That's the only influence there.'

Many suggested that should the multinationals scale down their distribution activities in Canada, a number of smaller distributors would be poised to take up the slack.

In its 1988 report on the potential impact of free trade, Woods Gordon says some multinationals believed that in the unlikely event no distribution were available through major labels, the 'truly viable' independents would still be able to obtain distribution, at least in major markets.

'It was suggested that a distributor would find it worthwhile to serve the major markets with the independent's product, and that sub-distributors would potentially service other markets.'

An alternative national distribution organization could require annual sales of \$25-30 million in order to work, says the report. To generate such revenues, the participation of most of Canada's larger independent labels and significant sales of foreign licensed product would be necessary.

Electric Distribution, the leading Canadian independent distributor, greeted the advent of free trade with enthusiasm.

Co-owner Cyril Kaye seemed to be rubbing his hands in anticipation of an eventual shift to north-south distribution channels.

'We've already looked at the inevitability of the Canadian-based branches of the foreign multinationals gearing themselves down to being nothing more than branch operations,' said Kaye.

Others expressed doubts about the ability of independent distributors to fill the shoes of the multinational operations.

CIRPA's Brian Chater said a Canadian distribution network might be possible only in theory.

'In practice, it's very, very difficult. It'd have to be heavily subsidized.

'Even if somebody went to the expense of setting up a Canadian distribution network it wouldn't work because there's no product available,' said Chater. 'You can't find the product to fill the lines.

'The only people that have that volume are the major companies with all their product.'

The Woods Gordon study also sees a downside to such an alternative.

'The main problem in this scenario would be for new

labels and those about to become viable, since a new independent distributor might be less willing to take new risks than a major whose other more secure business permits some subsidy of risky Canadian firms.'

Such a development would be a blow to fledgling artists, who already find it tough to get a foothold in the market.

RETAIL

Although there is a strong Canadian ownership presence in the sub-distribution and retail sectors, it seems Canadian independents have found few allies among the chain operators.

Some Canadian acts have had trouble finding their way into record stores because they play music that falls outside the strict boundaries of pop or rock.

Persuading retail chains to stock the first Blue Rodeo album -- which blended elements of pop, rock, country and jazz -- proved difficult, recalled Warner sales representative Mary Armstrong.

'They wouldn't carry it. They didn't know who they were. We weren't getting any airplay.'

Often the only stores that carry a wide range of small-label releases are independent, full-line shops that branch into different genres and stock deep inventories.

'They're the ones that give heavy-duty support to unknowns and to new artists, and to Canadian artists, off-the-wall product,' she said.

'And I think retail on the independent side really helped out on the Blue Rodeo.'

Petersen of Stony Plain -- specializing in blues and folk music -- understood that the retail chains had their priorities.

'They have their own bills to pay,' he said. 'But it does certainly present a problem to people that deal in non-mainstream kinds of music.'

Some chains have focused on selling large quantities of current hits to the exclusion of slightly older or less popular product.

Rita MacNeil said she was 'blown away' when fans who visited her newly opened tea-room in Big Pond during the summer of 1989 complained they couldn't find her albums at the national chain stores.

'I had tourists from across the country who came in every day and that was the main complaint -- they could not get the album,' she told Gwen Dambrofsky of The Canadian Press.

MacNeil looked into the problem.

'And I was told they don't stock my albums because they only stock hit albums.'

Although her two most recent efforts had gone platinum

-- selling more than 100,000 copies each -- the records were pulled from stores once sales began to taper off.

A 1987 industry study by an Ottawa consulting firm concluded that Canadian ownership of retail outlets had minimal influence on the total industry because foreign product dominated shelf space and in-store advertising.

Sam The Record Man was the only national chain with a distinctive policy of support for Canadian product, says the study by DPA Inc.

Sam's, owned by retailing legend Sam Sniderman, controls about 20 per cent of the \$750-million retail market with 140 stores.

However, HMV Canada, with more than 50 stores, has grabbed 15 per cent of the market since opening its first Canadian stores in 1988. It has also encroached on Sam's pro-Canadian turf, offering buyers of new Canadian recordings a money-back guarantee if not satisfied.

The appearance of HMV -- a moniker derived from the historic His Master's Voice trademark -- shook up a somewhat stagnant retail sector.

Its snazzy stores feature lively displays, stations at which customers can listen to music before deciding to buy, and separate rooms where classical and jazz fans can shop in quiet.

But the upstart chain, owned by British entertainment giant Thorn EMI, the parent company of Capitol Records, has

also helped spark a retail war that could see independent stores hit hardest.

Fierce competition during the recession saw the largest chain -- Toronto-based A&A Records, with 260 stores -- file for bankruptcy in February 1991. Toronto partners -- a video-rental company and a merchant bank -- purchased the chain, cutting staff and paring the number of outlets to 161.

The Montreal-based Discus chain closed 17 of its 97 stores.

Record levels of cross-border shopping, spurred in part by the seven per cent goods and services tax, didn't help matters. And there may be more fallout.

David Farrell, publisher of The Record, predicted a 'definite purging, which is going to be bloody,' with smaller stores taking it on the chin.

'We need larger stores with larger inventories and better margins,' Farrell told Mark Evans of the Financial Post in November 1991.

When free trade kicked in, there were warnings from retail analysts that the deal would lure American retailers into the Canadian market.

Some in the independent sector welcomed the prospect, since American chains generally had more experience dealing with the comparatively large number of independent labels in the United States.

'I think it'll whip this market into shape,' said Cyril Kaye of Electric Distribution.

However, three years into the deal, Canadian chains still dominated the market.

It seems American entry to the Canadian retail market might mean purchase of an existing chain.

Retail Music Association of Canada president Leonard Kennedy said things in the retail sector already looked crowded.

'It's a saturated market as it stands right now,' he said in early 1992.

However, the long-run implications are unclear. If increased competition squeezes independent stores out of the market, it could have a negative impact on smaller record companies unable to place product in chain stores.

Several chains have shown a preference for buying in bulk to supply all of their stores across the country, making it difficult to stock material that is generating interest in only one region.

Because ordering a recording might mean purchasing one hundred copies, they have traditionally shied away from product that isn't getting radio or video exposure.

Indeed, one reason many records flop is the simple fact they don't get airplay.

RADIO

When the radio became a fixture in North American homes during the 1920s, some moguls in the fledgling record industry felt the days of pre-recorded music would be short-lived.

Why would anyone buy cumbersome discs when all one had to do was twist the radio knob to hear music?

But radio stations began to play records as well as broadcast live performances, and the fortunes of the two industries became inextricably linked.

The first scheduled radio broadcast in North America emanated in May 1920 from station XWA -- later CFCF -- in Montreal.

However, concerns about Canadian content quickly arose as signals began flooding across the border from the United States.

A royal commission concluded that a publicly owned broadcasting system was needed to ensure Canadian audiences had access to homegrown programming.

As public broadcasting advocate Graham Spry put it, 'The State or the United States.' In 1936, CBC radio went on the air.

But it wasn't until January 1971 that the Canadian Radio-television and Telecommunications Commission introduced content regulations for AM radio, a full 13 years

after such quotas had been in place for television. Regulations for FM radio were introduced in 1976.

To qualify, a song must have Canadian content in at least two of the elements dubbed 'MAPL' -- music, artist, production and lyrics.

Canadian music must fill 30 per cent of broadcast time on AM stations between 6 a.m. and midnight. On FM stations, the quotas are 10 per cent for classical music, 30 per cent for popular and 30 per cent for country.

The popular music quota for French-language AM and FM stations is 65 per cent. The higher percentage for francophone stations reflects the efforts of French-speaking Canadians, particularly the concentrated numbers living in Quebec, to foster a distinct musical culture.

The percentages have fluctuated somewhat, depending on the volume of Canadian recordings available during different periods.

For instance, the French-language quota was reduced to 55 per cent from 65 per cent for AM stations in 1986 before being restored to its previous level in 1990. The quota for FM stations was similarly reduced on a case-by-case basis. The moves were prompted by a slump in French-language record production.

The content regulations were initially resisted by both broadcasters and listeners. While Canadians grew to accept the quotas -- largely expressing support for them in public

opinion polls -- they have continually survived pressures from radio and the United States, which has long considered them a non-tariff barrier.

But there is a consensus that they helped build a Canadian music industry as record companies, studios, producers, engineers and musicians created tunes to fill the quotas.

The industry gave Pierre Juneau, head of the federal broadcast regulator when the quotas came in, an appreciative nod when it named its annual awards the Junos.

While the introduction of content regulations fostered a sudden growth spurt, the business has grown slowly since. Many believe the regulations played a major role in that growth and have come to regard them as a cornerstone of the industry.

Some argue they have even helped shape the sound of Canadian music. For instance, country music stations-- caught short during the initial rush to fill the quotas-- played a number of folk selections, influencing a generation of budding musicians.

By comparison, American radio has generally leaned toward strict formats that focus on one type of music.

Numerous studies have cited radio play as the key means of spurring consumer demand for recordings. Equally important, the quotas have brought Canadian music to a wider audience.

So when Mair appeared before the Commons committee examining free trade in 1988, he stressed the importance of keeping them.

'To the industry, the Canadian content regulations are a support mechanism to get our artists established,' he said.

'Whether or not the people who listen to those radio stations buy those records, in one respect, is immaterial. They are being exposed to Canadian performers, and I suggest on the cultural level that is the most important aspect of the 30 per cent or 20 per cent regulations on radio. It is not just to sell records.'

But Mair also testified that senior officials at one multinational record company told him they intended to use the notwithstanding clause to attack content regulations.

'They feel every time a Canadian artist is played, it is keeping one of their artists off the air in Canada and hurting their bank account.'

Radio broadcasters pay about \$23 million in royalties each year to songwriters, composers and music publishers for the right to play their music.

This has prompted some in the Canadian industry to scoff that the regulations have served chiefly to line the pockets of music publishers, not create quality music.

Broadcasting was included among the cultural industries ostensibly exempted from the trade agreement.

When the final text of the deal was released in December 1987, the Canadian Association of Broadcasters applauded a provision allowing continuation of certain practices designed to attract advertising.

But there certainly were no cheers over the fact that the deal did not pose an immediate threat to Canadian content regulations. Many radio broadcasters have long held a dim view of the quotas. They have frequently complained that the volume of Canadian music the CRTC asks them to play exceeds the number of quality homegrown releases available.

The commission has often rapped the knuckles of broadcasters for not meeting quotas or playing Canadian selections at times when few listeners are tuned in.

Journalist Larry LeBlanc concluded in a 1990 report for the CRTC that only a few Canadian artists were receiving significant airplay.

Furthermore, certain sectors of the broadcast and record businesses continued to display 'significant antagonism' toward one another, he found.

Many broadcasters simply do not play new Canadian releases, yet still claim to have met their content quotas, says his study.

Significantly, album rock stations were least likely of the various radio formats to play independent music, LeBlanc discovered. With rock-oriented music representing some 60 per cent of the market in Canada, that does not bode well

for the industry.

The federal Task Force on Broadcasting Policy found the combined level of Canadian content on AM and FM radio actually dropped between 1975 and 1985.

During the 1980s, Canadian recordings accounted for 3.5 per cent of airplay south of the border. In Canada, U.S. records account for about 50 per cent of airplay, with other foreign recordings accounting for 25 per cent and Canadian tunes making up the remainder.

Many independent record companies complain that radio programmers are too calculating when it comes to making up playlists -- basing decisions on U.S. charts or sales projections rather than giving the record an honest listen.

Some country stations tend to pay attention to how a record sounds, said Holger Petersen of Stony Plain Records. But pop programmers often follow the advice of hired consultants.

'There's less creativity in the selection of music amongst radio programmers, I think, than in just about any other industry,' said Petersen, who used to play drums as a member of the Edmonton-based Spiny Norman's Whoopy Band--named for a fictional giant hedgehog.

For their part, radio broadcasters complain about red ink --private radio lost a total of \$26 million after taxes in 1990.

Record industry lobbyists see further copyright reform

as a means of protecting creators' rights and, in turn, securing more money for musicians, songwriters and producers.

For example, the government seems to endorse the idea of adding protection known as neighboring rights to the Copyright Act as part of proposed reforms likely to be tabled in the Commons during 1992. Neighboring rights would enable performers and producers to earn royalties when their songs are broadcast on radio.

However, broadcasters say they wouldn't be able to afford it on top of the royalties they already pay to songwriters, composers and publishers.

The Ekos Research evaluation of the federal sound recording development program found that contrary to other industry players, broadcasters -- at least those outside Quebec -- felt the program had done little to boost the quality of Canadian recordings to international standards.

'One broadcaster thought that the SRDP had served to create a 'boutique' industry in Canada but one that is not truly competitive on the international market; this view seemed to be the general sentiment of most of the broadcasters with whom we spoke.

'Recording company representatives were much more optimistic than broadcasters about the quantity and quality of Canadian content recordings produced in recent years.'

Broadcast companies helped found FACTOR in 1982 and

have willingly contributed hundreds of thousands of dollars to the fund over the years. However, they have little influence on how the money is spent. Many felt it was spread too thin, and that fewer companies should get more funds. It seems the broadcasters prefer huge commercial smashes to limited domestic triumphs.

The study found that the program seems to have had no impact on radio airplay of domestic recordings, as broadcasters generally play the minimum content requirements. However, industry representatives see the MuchMusic television channel and its French-language counterpart, MusiquePlus, as major supporters of Canadian talent.

New artists also gain exposure on college and university radio stations, which generally play a diverse range of music, from pop to classical. There are some 20 commercial radio stations in the United States that play so-called alternative music -- the trendiest new pop and songs by artists with limited commercial appeal. However, there are no such commercial outlets in Canada, and the student radio stations often attract rather small, if loyal, listenerships. This hampers the ability of Canadian independent acts to win fans via the airwaves.

Many record industry figures have complained that the commercial broadcasters -- with the exception of MuchMusic and MusiquePlus -- see content requirements as a maximum

instead of a minimum.

But many programmers were left scratching their heads in 1991 when a long-awaited single and album by B.C. rocker Bryan Adams -- one of the industry's platinum hitmakers-- did not qualify as Canadian content.

Adams co-wrote most of the 15 songs on the record with his British producer, so they only earned one MAPL point-- the one for artist.

At the same time, some songs by American performers regularly qualify because the music and lyrics are by a Canadian. At a news conference in Sydney, N.S., to kick off his 1992 Canadian tour, Adams called the decision a disgrace and urged the government to scrap the regulations.

'The Canadian government should just take a step out of the music business entirely,' he said.

Adams added that it wasn't until his records were hits in the United States that he started getting serious airplay in Canada.

Anne Murray and Gordon Lightfoot soon joined Adams in condemning the regulations.

Their comments created a stir -- and a staunch defence of the quotas by some industry representatives.

Mair noted that his associate at CIRPA, Brian Chater, signed Adams to his first publishing contract. The content regulations prompted A&M Records to create a sister publishing company and give it a mandate to sign Canadian

writers.

' 'They signed Bryan and decided that it was worth investing a small amount of money in making a single because they could get enough airplay to recoup their costs. So they did it and they licensed that single to A&M Records, their sister company,' ' said Mair.

' 'Not to say that his talent wouldn't win out in the long run, but the existence of the regs definitely helped him get signed.' '

At least two Canadian acts -- the Jeff Healey Band and Michelle Wright -- have cut songs in the United States, then re-recorded them in Canada so the revamped versions could be considered Canadian content.

Still, the music business -- especially the independent sector -- remains a supporter of the regulations. In the wake of the Adams debate, a coalition of six industry groups simply recommended some fine-tuning to reflect the fact Canadian artists are collaborating more with foreign songwriters these days.

But the Adams controversy and chronic complaints from radio indicate there might be troubled times ahead for the regulations as some -- including the larger record labels-- call for changes.

An Ottawa FM station, with some lobbying assistance from major label presidents, persuaded the CRTC to let the station bend the content rules, arguing it would increase

exposure of new Canadian artists.

The balance of power is tipping in favor of the majors and radio, Ottawa Citizen columnist James Hale suggested following the decision.

' 'They don't like the amount of bureaucracy they've had to operate under, and there are rumblings to let market forces rule in place of regulation.' '

QUEBEC

In Quebec, the relationship between record companies and broadcasters is somewhat more amicable, perhaps because French-language radio stations depend on the industry to produce enough francophone recordings to fill the quotas.

The Quebec sector of the industry has rebounded from a mid-1980s slump when production fell sharply. The Sound Recording Development Program aided the revival, said a 1990 study of the federal initiative in that province by le Groupe Secor Inc.

' 'Our evaluation demonstrates that, on the whole, the SRDP has had extremely positive effects on the francophone recording industry and that it has helped restore vigor to Quebec song,' ' says the report.

Some have speculated that the province's distinct language and culture would insulate it from the effects of the trade deal in the area of the arts.

But a controversial development has accompanied the rebirth of pop music in Quebec -- the tendency of more and more francophones to seek a larger market by singing and recording in English.

Celine Dion, Carole Laure, Daniel Lavoie and Roch Voisine are among those who have tested the waters of the anglophone market.

But the trend has caused some confusion.

Dion, a gifted singer, created an uproar when she refused the prize for English artist of the year at the 1990 Felix awards, presented by l'association du disque et des spectacles du Quebec, the province's industry lobby.

'I am not an anglophone,' she declared onstage.

Complicating things further, it turned out her own record company nominated her in the category after the release of Unison, her first English album. Some wondered whether the whole thing was a publicity stunt.

Leading up to the awards, the francophone media had a field day with the nomination, wondering if Dion would cry in English if she won.

The following year, ADISQ instituted an 80 per cent French-content minimum in its artist and show of the year categories, which effectively excluded Dion and Voisine.

Voisine boycotted the 1991 gala, saying ADISQ's rules didn't serve the interests of Quebec singers and songwriters working in an increasingly international context.

Still, with Voisine a fan favorite in France and Dion a chart success in the States, their careers have not suffered, either abroad or at home.

The move toward globalization of pop music has forced French-Canadian artists to walk a fine line -- pursuing the massive anglophone market while still recording and performing in French at home.

But to date their strategy has largely worked because nationalist sentiment in the province seems to be more in tune with the bottom line than in the 1970s, when courting the English airwaves was almost treasonous.

It is fitting, then, that the primary concern of the Quebec industry association about free trade was its potential impact on the manufacturing sector.

The Americ Disc CD plant, a large high-tech building located in the central Quebec city of Drummondville, has become a source of pride in the province's record industry.

The product of a Quebec-France venture, it is jointly owned by the Quebec government and a French firm. The Societe Generale des Industries Culturelles, a provincial agency charged with the creation and development of cultural enterprises, has a 50.1 per cent stake in the business. Moulage Plastique de l'Ouest -- which pioneered CD manufacturing in Europe -- controls the remainder.

ADISQ worried that government involvement in the firm would not be allowed under free trade.

American enterprises could denounce subsidization measures as unfair, the organization concluded in a 1988 study of free trade. Under the deal, ' 'it doesn't appear possible to directly subsidize manufacturers of records and cassette tapes,' ' says the study.

Other fears revolved around the removal of tariffs.

' 'The tariffs have played and continue to play an important role at the manufacturing level of the industry in the production of records, compact discs and cassette tapes.' '

Quebec risks losing its only pressing plant for discs because American manufacturers would likely concentrate all of their pressing at American plants, says the study.

' 'Without the manufacture of records and cassette tapes from American master tapes, the Canadian disc-pressing and cassette-manufacturing industry could not survive since Canadian production is too small to justify the existence of manufacturers in Canada.' '

The study argued for stronger protection of the industry in the trade deal, and recommended that record and tape production be included as one of the exempted cultural industries.

It also proposed an intriguing alternative -- an auto pact for records. American producers of records and tapes would be obliged to press in Canada a certain quota-- perhaps 80 or 90 per cent -- of the records they sell in

Canada.

Americ Disc itself, however, seemed unconcerned about the trade agreement.

'We're running this industry as 100 per cent private ownership would do it,' said chief executive officer Pierre Deschenes. 'So there is no difference.'

However, once subsidies are defined under the trade deal, or perhaps even under the General Agreement on Tariffs and Trade, it is conceivable that Americ Disc could be singled out as an offender.

The plant, which has opened a sales office in New York, has increasingly focused on exports to the United States, selling more discs there in 1990 than in Canada.

MANUFACTURING

Quebec's industry association wasn't alone in its worries.

Multinational executives, independent labels and -- to the embarrassment of the government -- the federal Industry Department also expressed concerns about free trade's potential effect on record manufacturing in Canada.

'The FTA could well have an adverse impact on the Canadian industry,' says a 1988 profile of the business prepared by the department, one in a series of assessments of various industries.

'Removal of Canadian tariffs will lead to a shift in the nature of imports away from masters to finished products.'

As a result, said the profile, there will be pressure on multinationals 'to reconsider the need to maintain separate production, manufacturing or distribution operations in Canada.' In contrast, the elimination of the relatively low U.S. tariffs on recordings would have only limited beneficial effects on Canadian exports, says the report.

When Kathryn Young of The Canadian Press wrote a story in May 1989 detailing the conclusions of the department, the Opposition pounced on the revelations.

'Are you going to take this report seriously?' Liberal MP Lloyd Axworthy asked then trade minister John Crosbie in the Commons.

Crosbie repeated what CRIA's Brian Robertson had told Young -- that the assessment wasn't worth the paper it was printed on.

While no in-depth research on the question of free trade was conducted specifically for the report, it raised some legitimate questions about the deal in a straightforward manner.

An updated version of the profile published in 1991 expresses essentially the same concerns about the agreement, toning down its warnings only slightly.

Both versions of the study say the extent of any shift toward imported recordings would depend on several factors, including transportation costs and currency exchange rates.

Technology has also played a role in shaping the manufacturing sector.

Just as the flat disc replaced the wax cylinder as the industry standard during the early years of the century, the compact disc has hastened the demise of the vinyl record.

Until the mid-1980s, about a dozen plants in Japan and Europe and just one in the United States supplied the world's compact discs. Once the CD format took off commercially, however, more plants opened, and some multinational branches in Canada struck contracts with foreign plants.

'In some cases the majors own CD plants in the United States and Europe and obviously favor using them,' says the 1988 Woods Gordon study of free trade. 'Thus, up to now, CBS has purchased all of its CDs from the United States, and PolyGram from its plants in the United States and Germany. WEA and Capitol also own plants in the United States.'

By the end of the decade there were some 20 CD plants in North America.

However, as the popularity of vinyl records waned, the majors in Canada seemed less and less willing to modernize their manufacturing facilities. Several shut them down or sold them to more specialized companies.

During the '80s, the multinationals worked at ''systematically getting themselves out of manufacturing,'' said Robertson. ''It's a very separate business. It's a bit volatile.''

By the '90s, Canada had just two vinyl record manufacturers, between 45 and 50 cassette plants and two companies making compact discs. Of the majors, only CBS and Capitol continued to manufacture cassettes.

The largest Canadian manufacturer of recordings is Scarborough, Ont.-based Cinram Ltd., which makes both cassette tapes and compact discs. It stopped pressing vinyl records at the end of November 1991.

Cinram's domestic rival in the CD market is Drummondville, Que.-based Americ Disc.

Both plants are well-positioned close to major record-production centres -- Cinram just outside Toronto and Americ Disc near Montreal.

This helps reduce transportation costs and enables the firms to fill orders from record companies more quickly. Sometimes the date an album lands in record stores can determine whether it's a hit or a flop.

Some cite such factors in arguing that a strong manufacturing base will be required in Canada as long as the multinational companies stay.

But the Industry Department warns that Cinram and Americ Disc ''face competition from several large

manufacturing plants just across the U.S. border.'

In 1989, average hourly earnings were slightly higher in the Canadian manufacturing sector than in its U.S. counterpart, said the department. However, labor productivity was about 30 per cent higher in the States because U.S. plants generally produce larger runs of each recording, achieving greater economies of scale.

As free trade dawned, Warner president Stan Kulin seemed confident that, in the long run, the deal would have little impact on his company's sales and distribution practices in Canada.

But he was admittedly uneasy about how lower tariffs, combined with a dollar at 85 to 90 cents US, would affect purchasing from manufacturers. A high dollar -- which makes imports less expensive -- might prompt the Toronto branch to import recordings from the Warner plant in Pennsylvania once the tariffs dropped significantly, he said.

'And at that point, we may end up only producing the bigger runs in Canada -- the big hits, the Madonna releases -- and bringing in the bulk of the catalogue from the U.S.'

There are precedents for such decisions.

Before forming a firm designed to help fledgling acts get albums and cassettes pressed, Brian Simpkins worked as production manager at the Warner company from 1970-77.

Occasionally, the Canadian branch had records made in the States, purchasing perhaps 10,000 copies of a record

from a production run of 60,000. The large numbers involved made the Canadian portion of the order slightly less expensive than if it had been made in Canada -- even when freight and duty costs were added.

But it was easier to have product made in Canada, he said. Orders done in the States tended to get lost in the shuffle because they were relatively small.

'You were at the end of the line. You were at the bottom of the ladder.'

Kulin said a large-scale move toward imports would affect only a handful of his more than 100 staffers, the majority of whom would still be required for sales, distribution and promotional work.

The dollar hovered around the 75 cents US mark around the beginning of 1987 but rose steadily and floated above 85 cents US during the early years after the signing of the deal.

Some have suggested that the level of the dollar has played a significant role in fostering record manufacturing in Canada, while the tariffs have had little or no effect.

'Our interviews suggest that the removal of the tariff will have minimal impact on the manufacturing sector,' says the Woods Gordon study.

But careful examination of the numbers detailing import levels over the years suggests tariffs have assisted the manufacturers.

The 1987 in-house report by the Communications Department concluded that tariffs -- not the level of the dollar -- played the biggest role in determining the market share held by domestic manufacturers.

Between 1980 and 1985, the percentage of the Canadian market satisfied by domestic production dropped to 86 per cent from 93 per cent, says the report, linking the decline to tariff reduction under the General Agreement on Tariffs and Trade.

The trend likely would continue as tariffs dropped under free trade, adds the report, predicting a corresponding decrease in the number employed in the manufacturing sector.

Contrary to expectations, a low Canadian dollar relative to the American currency during the five-year period saw Canadian record and tape manufacturing and export levels decline, it says.

A number of factors -- including introduction of the compact disc, the demise of vinyl and the increasing popularity of cassette tapes -- complicates efforts to make sense of the figures.

But since 1985, the trends generally have continued.

The dollar value of recordings imported into Canada has increased substantially -- to an estimated \$66 million in 1989-90 from \$29 million in 1982.

Part of the increase can be attributed to the fact the

unit value of a compact disc -- a format that has increased in popularity -- is more than that of a vinyl record.

But the figures also indicate imports were grabbing a larger share of the Canadian market -- an estimated 12.5 per cent in 1989-90 compared to just 6.3 per cent in 1973-74.

While Canadian export levels rebounded somewhat in the late '80s, they dropped during the first year after the signing of the free-trade deal. An estimated 2.7 per cent of Canadian manufacturers' output was exported in 1989-90, down from 5.7 per cent in 1988-89.

Still, some have maintained that the health of Canadian manufacturers depends on satisfying the needs of the majors in Canada, developing new products and securing export markets.

There have been suggestions that Canadian manufacturers can exploit their ability to undertake short production runs -- 10,000 or so copies of a recording -- to find market niches in the States serving small- and medium-sized record companies.

There are a number of firms manufacturing cardboard inserts for cassettes and CDs that might be able to seize the same sorts of opportunities.

Fred Beeby, Toronto plant manager for one such company, Ross-Ellis Canada, saw that as a possibility.

'What is a large run to us at Ross-Ellis, they may not even want to do down in the States because it's so small,'

he said. ''And if their machinery is all geared for the large runs, then there is a place for us.''

On the other hand, said Beeby, if the larger record firms chose to manufacture outside Canada, it could pose a problem for Ross-Ellis.

Survival in the manufacturing sector may ultimately depend on competitiveness, but as tariffs continue to drop it will be up to a mere handful of companies to sustain the large domestic market share traditionally held by Canadian manufacturers.

None of the larger independent labels indicated that manufacturing was a problem for them, says the Ekos report on the Sound Recording Development Program.

''However, several West Coast industry representatives felt that once free trade takes full effect, it will be much easier and more economical to have their manufacturing done in Los Angeles.''

MAJOR PLAYERS

One of the prime beneficiaries of the move by the multinationals out of manufacturing could be Cinram Ltd., the country's largest producer of discs, records and tapes.

At the firm's vast Scarborough complex, in a comfortable office removed from the bustle of activity on the shop floor, Cinram president Isidore Philosophie assessed

the company's competitive position as the free-trade era dawned.

'I think we are one of the major players, not only in Canada, but we're quite important in North American context,' he said in an interview shortly after the deal came into effect.

The company, ranked No. 258 by the Toronto Globe and Mail in its 1991 survey of the country's top 1,000 publicly traded companies, has acquired a reputation as a savvy, prudently managed business.

Cinram has grown steadily since Philosophe, a Turkish immigrant, and associate Samuel Sokoloff established the company in the basement of a Montreal building in 1969 primarily to manufacture pre-recorded 8-track cartridge tapes, then an important format.

Over the years, Cinram has thrived by keeping pace with technological change, beginning production of cassette tapes in the mid-1970s, long-playing and 45 r.p.m. records in 1978 and compact discs in the mid-1980s.

The company has long placed a premium on in-house research, innovation and training, enabling it to develop thoroughly modern manufacturing techniques. Its 550-member workforce is non-unionized.

'Sources indicated to us that Cinram has the lowest production cost structure of any CD plant in Canada or the United States,' says the 1988 Woods Gordon report.

And Cinram has cannily absorbed much of its Canadian competition:

-- In September 1985, the company acquired the manufacturing arm of Quality Records -- a producer of records and tapes -- for \$1.4 million, giving Cinram two Scarborough plants.

--In January 1988, Cinram acquired a controlling interest in foundering CD manufacturer Praxis Technologies Corp., based in nearby Mississauga, Ont.

--In August 1988, the firm purchased PolyGram's cassette manufacturing plant near Montreal. Later that month, Cinram struck an agreement with CBS to supply all record-pressing and CD requirements to former CBS customers.

Cinram racked up \$8.5 million in profits in 1991 and actually saw revenues increase during the recession to claim a spot among the five largest CD manufacturers in North America.

The company manufactures some 60 million CDs a year, and its total annual output of CDs, tapes and records likely accounts for more than half the recordings produced in Canada.

Philosophe, who has lived in the United States, does not underestimate the challenges of the American market.

'In the U.S. there's a very ruthless atmosphere,' he

said. ''It's a very competitive environment, and you have to be prepared to have a big organization to cope with the demand.''

In November 1990, Cinram made a major foray south, purchasing PRC Tape Company Inc. of Richmond, Ind., a pre-recorded cassette manufacturer employing more than 200 people. The plant was being fitted to produce compact discs by the spring of 1992.

At the company's 1991 annual meeting, Philippe said the decision was an easy one.

''With free trade approaching, it was very important for Cinram to have a strong foothold in the United States. We needed to establish our presence to compete effectively in the long term.''

To that end, the company has established two wholly owned subsidiaries in the United States.

Cinram entered the VHS videotape market in 1991 with the ultimate aim of winning customers for the video disc-- a product many believe will eventually replace videotape.

The Japanese dominate the burgeoning video-disc market, but Cinram is working to develop superior technology that will enable it to employ advanced methods when it begins producing video discs in mid-1993.

However, being north of the border might pose at least one drawback for the Scarborough plant. American regulations forcing imports to be stamped with the name of the country

of origin -- Made in Canada, for example -- have hampered Cinram's sales efforts in the United States in light of the protectionist mood there.

Cinram is not the only heavy hitter in the Canadian music industry. A handful of other players can hold their own with foreign competition. They include:

--BCL Group (the initials stand for Ballard-Cohl-Labatt), which scored a major coup as handler of the 1999 tour by British rock legends the Rolling Stones. The venture grossed \$98 million US, the highest proceeds in North American concert history. BCL boasts offices in Toronto, Minneapolis and Columbia, S.C., more than 200 employees and revenues exceeding \$100 million annually from its concert production, sponsorship and merchandising services.

--Molson/MCA Concerts -- a joint venture of the Canadian brewery and MCA's Universal City, Calif., head office -- which is competing with BCL Group in the show-business sweepstakes.

--Toronto-based Joint Communications, North America's largest radio audience research firm. It helps radio stations across the continent decide which songs to play.

--Manitoba-born musician Daniel Lanois, one of rock music's most accomplished producers. He has shaped the sound of British superstars Peter Gabriel and U2, among others.

--Bruce Allen, whose managerial talents have paved the

way to international commercial success for three Canadian rock acts -- Bachman-Turner-Overdrive, Loverboy and Bryan Adams -- since the early 1970s.

--Vancouver producers Bob Rock and Bruce Fairbairn, who have turned the dials for many best-selling albums at British Columbia's Little Mountain Studios.

--Le Studio in Morin Heights, Que., which also attracts top foreign stars who enjoy recording their songs in a tranquil country setting.

THE REGIONS

If these interests derive benefits from free trade, it seems the deal might have the curious effect of reinforcing Toronto's reputation as a North American music centre while ensuring the rest of the country remains largely on the fringes.

Moreso than ever, the talent, expertise and financing of the Canadian industry would be concentrated in Toronto--and to a lesser extent Montreal and Vancouver.

Less than 15 per cent of the country's record companies are located outside Ontario and Quebec. These regional firms account for only about two to three per cent of record shipments each year, according to Statistics Canada.

However, the advent of the trade deal coincided with the rise of viable, if modest, regional recording

industries. Musicians, producers, record companies and studios began to band together in different provinces in the 1980s to pursue common goals and lobby governments.

Regional centres began turning out a number of acts that eventually won national, and sometimes international, audiences.

The Vancouver pop scene evolved into perhaps the most vibrant in the country, featuring an enviable offering of live music and a handful of aggressive labels such as Nettwerk Productions, which has brought singer Sarah McLachlan and rock group Grapes of Wrath to national attention.

The rise of the Northern Pikes to prominence was an inspiration to the Saskatchewan music business, said Blaine Wilkins, a studio owner who helped the Saskatoon rock band make its first recordings.

'They've shown the way,' he said. 'They've broken the ice.'

The band already had a record out on its own label when Virgin Records offered a contract. Since 1987, the group has secured Canadian chart success with three albums, and has licensed a single to a small U.S. label.

Winnipeg pop group Crash Test Dummies, perhaps the most successful act from the city since the Guess Who in the late 1960s, has seen its debut album, The Ghosts That Haunt Me, go platinum several times over in Canada.

The group drew on funding of more than \$20,000 from the Manitoba Cultural Industries Development Office to make demonstration recordings and, later, the album. FACTOR also put \$20,000 toward recording the collection of songs.

Unexpectedly in May 1990, Ottawa cut more than \$900,000 in federal funding, provided through an Economic and Regional Development Agreement, from the budget of the Manitoba development office.

Since 1987, the agency -- in the forefront of provincial programs in aid of recording -- had helped Manitoba artists produce 38 record albums and 85 demonstration tapes. About \$775,000 had been spent on training in film and music production.

Ron Lamoureux, a producer and past-president of the Manitoba Audio Recording Industry Association, said the program put a lot of wheels in motion.

'That's helped a lot of musicians that have always wanted to work in a studio to get their handle on it,' he said.

But under the terms of the federal-provincial deal, funding was cut off completely in 1991.

Ottawa seems to be taking turns assisting the provinces. During the 1992-93 fiscal year, it had ERDA-style cultural agreements in force with Alberta, New Brunswick, Prince Edward Island, Quebec and Saskatchewan. The federal cash allocated totalled almost \$10 million, but only a

fraction of it was earmarked for sound recording.

This left the \$4.5 million in federal money dispensed annually through the sound recording development program as the primary government expenditure in the field.

Some provinces -- notably Quebec -- contribute to the industry on their own, but the amounts involved are comparatively modest. In 1992, the Ontario Arts Council began offering popular music grants of up to \$15,000 to fund production, performances and songwriting.

Through its Societe de Developpment des Industries Culturelles, the Quebec government has made risk capital available at low interest rates to record labels, studios, distributors and retailers. It has also set up a music video fund.

The mix of entrepreneurial and government investment in the Quebec industry has helped it establish a solid base. It has also made impressive inroads in Europe.

But the review of the Sound Recording Development Program in the province said that despite the success, the industry did not possess the infrastructure necessary to systematically penetrate francophone markets in Europe.

The study of the program in other provinces found that 'companies outside of Toronto reported that the overall impact of SRDP on record production companies in the regions is far from significant.'

Even some FACTOR employees and board members said the

regional mandate of the program could not be successfully carried out with existing levels of funding.

There has been increasing demand for money distributed through the program, especially from companies and artists outside Ontario and Quebec.

The Atlantic Music Producers Association has lobbied the federal government for separate funding to help develop the music industry in Eastern Canada.

Several bright lights, including Rita MacNeil, fellow Nova Scotians the Rankin Family and P.E.I. country singer Lennie Gallant, have emerged in the Atlantic provinces. The annual East Coast Music Conference and awards show have helped showcase developing talent.

But the music industry, like many businesses in Atlantic Canada, has remained largely underdeveloped. While there are some excellent recording studios, there are few record companies and virtually no manufacturers.

Nando Speranza of the music producers association stressed the frustrations the situation posed.

"We have some very good studios of international class. And we have good talent, obviously, the raw talent that we can take and mould into good artists, but what do you do with it then?" he asked shortly after the trade deal took effect.

"The point is, once you've got the product in your hands, what do you do with it? You can't just take the next

plane to Toronto and start knocking at doors. All you're going to get is a receptionist.'

Recording studios in the region have relied on production of jingles and other commercials to help stay afloat.

But spending on ads prepared for television, radio and newspapers dropped 4.8 per cent in real terms to \$6.1 billion in 1991, according to Media Buying Services Ltd. in Toronto. The firm predicted marginal growth of 1.2 per cent during 1992. Some have singled out free trade as an incentive for Canadian companies to import ads from foreign sources.

Radio stations in the Atlantic provinces began purchasing less expensive, generic jingles made in the United States, a trend that 'really hurts some of the producers around here,' Speranza said as the trade deal entered its 20th month.

Some have suggested that the electronic age will help bridge the gaps between the regions. In the age of the fax, voice mail and home recording studios, does a musical group really need to live near a major centre?

Perhaps technology will assist the development of the regional recording industries.

On the other hand, there are warnings free trade will hamper Canada's ability to harness the technological innovations of the future to its advantage.

THE CELESTIAL JUKEBOX

The 1987 Communications Department report Communications for the Twenty-first Century says the use of new information technology must become a national priority.

The ability of future telecommunications technology to bridge great distances will offer great potential for revitalizing traditional industries and creating new opportunities, says the report.

'But it is also here that the challenges are greatest, since it is the disadvantaged regions that are taking up the technology most slowly,' adds the report.

Leonard Kennedy of the retail music association said the technological changes that will alter the way recorded music is sold are 'far, far away.'

But there are indications change is on its way.

'The accelerator's being pushed down a lot harder, a lot faster, than many people thought it would happen,' David Basskin, general manager of the Canadian Musical Reproduction Rights Agency, said during a speech at the 1991 New Music Seminar in New York.

'In the music business, what we're heading toward is the Celestial Jukebox.'

Basskin sees a day when technology will allow consumers to have music on demand without visiting a record store.

Digitization, the storage of information in a series of numbers, means that music can be transmitted over long distances with no loss of sound quality. Digital encodement of music is the guiding principle behind the existing compact disc.

Fibre optics, which use light to carry information, are capable of transmitting much greater amounts of information than conventional cables.

Together, digitization and fibre optics could enable the consumer to shop for music electronically, piping a recording into a stereo system by simply telephoning a computerized music library.

The technology could open doors for independent record companies currently denied access to distribution networks by democratizing the system, allowing all firms who can pay the freight a chance to sell their wares.

But the new systems will pose enormous challenges for the recording industry and government regulators.

Or, as Basskin puts it, 'Who decides who gets to ride the fibre-optic bus?

'Will that wonderful opportunity for democratization of access be preserved, or will the system fall into the hands of existing multinationals?'

Basskin, whose agency administers the payment of royalties on record sales, stressed the need for a strong commitment to copyright in light of the new technologies.

While they hold the potential for increased access to distribution, they could also invite 'unprecedented piracy, theft and uncompensated use,' he told the seminar.

'Without effective, prompt and fair compensation for creators, all these wonderful technological developments will have been for nothing.'

The trade deal and federal copyright legislation have strengthened the rights of creators. Ironically, however, U.S. producers might be the ones to benefit most, suggested Ian Parker a professor of political economy at the University of Toronto.

Article 2006 of the deal, along with record tariff reduction one of the four exceptions to the cultural exemption, requires cable TV companies to pay copyright-holders for the use of any signals that they retransmit.

The arrangement is reciprocal, with each country working from the same payment scale.

'The problem here, however, is that Canada imports vastly more cultural products than it exports,' Parker writes in a 1988 issue of Canadian Forum.

So the bulk of the payments end up in the hands of U.S. producers.

The same principle is likely to be applied to the neighboring right being sought by the U.S. and Canadian recording industries.

Since about 50 per cent of the recordings played on

Canadian radio originated from the United States, half of the neighboring rights payments would end up in U.S. hands. Only 25 per cent would stay in Canada.

'In short, from a U.S. standpoint, the free-trade deal, the reciprocity principle, and current trends in Canadian government cultural policy are already almost exactly what the U.S. would have wanted had it been able to design Canadian cultural strategy itself, without regard for Canadian interests,' concluded Parker.

CHAPTER FIVE: LEGAL LIMBO

It's more than a trade deal
It's politically insane
To trade with the Americans
And let them run the game
-- 'Mr. Mulroney'
100% CanCon

Complex, ambiguous and menacing, the trade agreement's notwithstanding clause is a wild card in the Canadian sound recording game.

As with the impact of tariff reduction, it may be years before the meaning of the perplexing provision is clear.

Yet, while tariff reduction could open the door to a radical restructuring of the Canadian recording industry, some feel the notwithstanding clause could hamper government attempts to help mould that structure.

Others say the clause changes nothing, or even offers Canada a slight advantage over the status quo because it spells out what the government can do to support culture, effectively limits retaliation to 'equivalent commercial

effect'' and offers a dispute-settlement mechanism as a means of appealing rulings seen as unfair.

Critics have called it a disastrous precedent that will deter significant government-led initiatives in the sound recording field in the interest of appeasing the United States.

''Basically anything that we do in the future to entrench or expand or Canadian content is open to challenge by the Americans,'' said Doug Coupar, spokesman for the Alliance of Canadian Cinema Television and Radio Artists when the deal took effect. ''We've authorized them to do that now under the terms of this agreement.''

Adrian Dix, legislative assistant to New Democrat MP Ian Waddell, party communications critic when the agreement kicked in, said the clause was a ground-breaking concession on Canada's part.

''I don't think in Canada we've ever accepted that support for cultural industries should be defined as unfair subsidies,'' said Dix. ''We've never accepted that. This is the first time that we're accepting that principle in a document. It's quite unprecedented.''

Paragraph one of Article 2005 states that cultural industries ''are exempt from the provisions of this agreement, except as specifically provided . . .''

However, paragraph two says: ''Notwithstanding any other provisions of this agreement, a party may take

measures of equivalent commercial effect in response to actions that would have been inconsistent with the agreement but for paragraph 1.'

The seemingly contradictory wording of the article has led to widely differing interpretations of its meaning.

'That provision, if I understand it correctly, basically was brought to the table by the American side,' said a Canadian government official involved in trade issues.

'On the surface it looks very threatening,' said the official, who spoke on condition of anonymity. 'In reality and practice, would it be threatening? I mean, I don't have an answer for that.'

Clouding the picture is the fact the two countries have yet to define subsidies under the agreement.

Consequently, the long-range implications of the 32-word proviso have remained unclear to many observers of the cultural scene. 'What does that clause mean?' asked Nanci-Jean Waugh, legislative assistant to Liberal communications critic Sheila Finestone.

'Does it mean if we put in a Canadian-controlled distribution network, that it would be considered unfair trade practice by the Americans, and they will take measures to retaliate against us in other sectors or in that particular sector?'

Writes author and critic of the deal Susan Crean,

'This clause will probably keep several dozen lawyers warm through many winters trying to divine its meaning and it will be years more before any definitive interpretation is possible.'

The trade negotiators were given the go-ahead from cabinet to include the article in the deal, said Pierre Leduc, a senior policy analyst with the international relations branch of the Communications Department.

Leduc said the section of the agreement dealing with culture 'was arrived at through negotiations after full consultations with all members of cabinet including our minister, more particularly.'

As well, the private sector was consulted throughout the negotiation process through the sectoral advisory group on international trade for the arts and cultural industries, said Leduc.

'This group provided input on the negotiations and the process and content,' he said.

Serge Frechette, a senior counsel with the legal services branch of the Trade Negotiations Office, said the article is 'not a clear-cut exercise of drafting.

'Clearly, it leaves room for interpretation,' said Frechette, who divided his time between work on anti-dumping aspects of the free-trade negotiations and his job at Consumer and Corporate Affairs.

In December 1987, he joined the trade office full-time,

drafting enabling legislation and regulations pertaining to certain sections of the deal, including Article 2005 and the chapters covering investment and services, to pave the way for its implementation.

'There is always a way to make things better, I guess. It could've been clearer.'

But he said the article should be viewed in light of the tough, exhausting atmosphere of the trade negotiations.

'I don't know how I would have done things if I had been working three months in a row at a rate of about 18 to 20 hours a day,' said Frechette, noting the keen desire of the United States to include culture fully in the talks.

'They did want that on the table. They wanted that to be negotiated. And the Canadian negotiators had to oppose very strongly on that.'

Did the Canadian team achieve its goal of largely exempting the cultural industries from the agreement?

'We remain free to regulate, to legislate, to protect our culture if we want to,' said Frechette. 'And that may mean in any way we want.'

But there is still a debate about what government intervention in the cultural arena will cost under the trade deal.

There is some question as to what constitutes 'equivalent commercial effect' and whether retaliation against a measure must be restricted to the same industry.

For instance, if the United States takes retaliatory action against a Canadian cultural initiative, could the action be applied to a different sector of the economy?

There are recent precedents for such a move. In June 1986, Canada imposed a 10 per cent tariff on imported English-language books and a 5.8 per cent duty on imported sheet music in retaliation for a U.S. duty on British Columbia cedar shakes and shingles.

However, Frechette said a crucial factor in legal interpretation is determining the intention of the parties. In the case of Article 2005, it was not the intent of either country to permit random retaliation, he said.

The French wording of the article, Frechette added, is more precise in that it more closely links the right of retaliation to the specific cultural measure adopted, perhaps limiting retaliatory action to a specific industry.

But the treaty text that has force between the parties is in English.

Toronto-based law firm Smith, Lyons, Torrance, Stevenson and Mayer says that, under the deal, retaliation against a cultural measure could be aimed at an entirely different sector.

'Such retaliation presumably need not be related to the cultural industries,' states a March 1988 commentary on the agreement prepared by the firm.

'Their (the United States') response doesn't have to

be in the same field,' said Dix. 'It can be in any field.

'Imagine a cultural minister who has to go out to B.C. and explain to . . . forestry workers that because of some airy-fairy cultural policy they're going to lose their jobs.

'That's the kind of thing you're going to consistently see.'

Crean neatly sums up the standard operating procedure the deal has foisted upon the federal government: 'Canada can make whatever cultural policies it wants, but if in doing so the commercial status quo of American interests is affected, the U.S. has the right to extract its pound of flesh,' she writes.

Her assessment is borne out by the summary of the agreement prepared by the U.S. Trade Representative's office, dated Oct. 4, 1987.

The United States, it says, 'wants to ensure that Canadian cultural policies do not constitute a discriminatory and unnecessary barrier to U.S. trade.

'Recognizing Canadian sensitivities, the U.S. has agreed that certain cultural areas are not subject to the specific provisions of the agreement.

'For its part, Canada has agreed that cultural measures it takes will not impair the benefits the U.S. would otherwise expect from the provisions of the agreement.'

The U.S. free-trade implementing legislation and

related documents go further, discouraging use of the clause by Canada to enable government support of culture, and urging renegotiation of the deal to fully include cultural industries.

Consequently, some critics see the notwithstanding clause as the latest volley in a lengthy battle to eliminate all barriers to American cultural activity -- a clarion call signalling U.S. intentions in upcoming subsidy negotiations provided for by the deal.

The clause charts a dangerous course, they argue, leading Canada down a path fraught with pitfalls.

Under the free-trade deal, all of the anti-dumping, subsidy and other trade laws remain in effect in both countries.

These laws are similar, being based on codes established through the General Agreement on Tariffs and Trade.

But under the GATT, only very general definitions of a subsidy have been developed, despite continuing efforts.

Not surprisingly, given the lack of success in the world arena, the Canadian and American free-trade negotiators failed to reach an agreement on subsidies during their relatively short talks.

But the countries committed themselves to defining subsidies within five to seven years of the deal's implementation.

Since the deal took effect Jan. 1, 1989, the issue has been sitting on the back burner, and the government has drawn the ire of the opposition parties for dragging its feet on assembling a game plan. Negotiations on a North American trade deal including Mexico have taken priority.

Meantime, the original deal's critics acknowledge that both the United States and Canada already have legislation consistent with Article VI of the GATT enabling either country to retaliate against cultural measures that are considered unfair.

For instance, section 301 of the U.S. Trade Act of 1974 is technically able to remedy Canadian government practices that affect the competitiveness of American service firms-- for instance, record distributors -- in Canada. And, with passage of the 1988 U.S. omnibus trade bill, section 301 was considerably strengthened.

But critics said the government had narrowed its options by enshrining the right of the United States to retaliate against government-sponsored cultural measures.

Other observers were less concerned.

"Yes, the principle has been enshrined," said the Canadian official involved in trade. "But has anything changed in practice or in process, or anything else?"

There is considerable evidence the deal has altered the status quo for the worse, both for the Canadian cultural industries generally and the recording industry in

particular.

As Marjorie Griffin Cohen, who has written on the deal and the service sector, notes, "the U.S. has rarely used section 301 provisions and it would find it difficult to retaliate against what it perceives to be unfair practices in services because there has been no agreement about what constitutes fair or unfair trade practices in services."

Now, with the notwithstanding clause, the United States has added a major weapon to its arsenal.

In addition, despite Canadian government claims to the contrary, a segment of the recording industry is explicitly included in the services chapter of the free-trade agreement.

Identified only by its Standard Industrial Classification number (6552) toward the end of the chapter, the management of record and tape stores is among 299 services covered by the trade deal.

While the inclusion of this vital ingredient in the recording industry pie has seemingly gone unnoticed, it could have far-reaching effects.

At the very least, it is a puzzling contradiction to the assertion in the deal that "the production, distribution, sale or exhibition of audio or video music recordings" are among the cultural activities exempted from the agreement.

Furthermore, under the wide-ranging terms of the

services chapter. it seems the inclusion of record-store management in the deal could reasonably be interpreted to extend to ownership of such retail outlets and any or all aspects of record distribution.

The primary objective⁴ of the services chapter is to ensure extension of national treatment to the providers of the almost 300 services covered. It means the two countries have agreed not to discriminate against American and Canadian firms providing these services. Canada can still treat providers of one service differently than does the United States, as long as it treats Canadian providers the same way.

Yet, as the government states in its synopsis of the services chapter, the issue is more than a matter of opening up service markets.

'It is no longer possible to talk about free trade in goods without talking about free trade in services because trade in services is increasingly mingled with the production, sale, distribution and service of goods.'

Article 1401, outlining the scope and coverage of the services section, states the chapter shall apply 'to any measure of a party related to the provision of a covered service by or on behalf of a person of the other party within or into the territory of the party.'

It then states 'the provision of a covered service includes:

a) the production, distribution, sale, marketing and delivery of a covered service and the purchase or use thereof;

b) access to, and use of, domestic distribution systems;

c) the establishment of a commercial presence (other than an investment) for the purpose of distributing, marketing, delivering, or facilitating a covered service; and

d) subject to chapter sixteen (Investment), any investment for the provision of a covered service and any activity associated with the provision of a covered service.''

The broad nature of these provisions could slam the door on a government-led attempt to institute a significant Canadian presence in the record distribution system.

It seems the measures agreed to in the services chapter and, by way of (d) above, the investment chapter, could effectively prevent or, at least, deter the Canadian government from regulating the sale or distribution of records.

Whereas, before, the best card in the American hand was section 301 of its trade legislation, the free-trade agreement arms the United States with a two-pronged weapon:

the notwithstanding clause and the provisions of the services chapter.

For example, if Canada were to initiate a government-funded distribution network for recordings, passed legislation requiring record distributors to carry a certain percentage of Canadian product, or used tax measures to make the purchase of Canadian recordings at the wholesale level more attractive, then American record distributors and retailers could cite the notwithstanding clause in seeking remedy.

It may be too early to determine just how extensively the terms of the services chapter apply to distribution systems as outlined in (a) through (d) above.

But since the principle of national treatment must prevail under the chapter, it seems American record retailers, represented by the influential National Association of Recording Merchandisers, could use the services chapter to:

-- protest any sort of favorable treatment afforded Canadian record retailers.

-- claim eligibility for government funds allotted for a distribution network under 1401:2 (d) which includes in the agreement government measures related to 'any investment for the provision of a covered service and any activity associated with the provision of a covered

service.''

Also of note is clause 1401.2 (b) which allows ''access to, and use of, domestic distribution systems.'' This provision could possibly be interpreted to mean guaranteed access to distribution systems of any sort, including the main supply lines connecting record companies, wholesalers and retail outlets.

However, even if the clause were narrowly interpreted to include solely the links between retailers and consumers, it still may have a serious impact on the business.

Currently, it might be a moot point because there is, essentially, no distribution conducted by the retailer: customers shop in person at record stores and carry the product home.

But industry observers predict record stores will undergo radical transformations during the next two decades. Satellite technology, coupled with increasingly sophisticated home-computer systems, may make it possible for retailers to transmit recordings into consumers' homes via telephone.

In overlooking the advent of such concepts, the Canadian negotiators may unwittingly have given American record retailers guaranteed access to any government-aided project involving advanced technology to sell recordings.

This could foreseeably include access to Canadian

hardware, such as satellites, and any government-sponsored program aimed at fostering sales of Canadian product.

Harnessing the budding concept of beaming recordings directly into the record buyer's living room might prove a highly effective tool as the government tries to assert greater control over the distribution of Canadian recordings. Yet, by granting American access to such systems under the deal, this option may already be impossible.

'This agreement weakens the ability to introduce any new national policies for services,' concluded Cohen.

Under provision 1402.2, the deal also extends the national treatment principle to provinces, forcing them to treat American service firms covered by the agreement in the same manner as any other firm in the province.

In addition, under clause 1402.8, the American firms are not even required to locate in Canada. Presumably, then, an American record retailer of the future -- transmitting product from Los Angeles or New York to Canadian homes-- would receive national treatment and accompanying rights.

University of Toronto economist Ian Parker predicted the equal treatment provisions of the deal would 'increase the cost to government of stimulating research, development and production by Canadian-controlled cultural producers, since in many cultural spheres, U.S.-controlled firms will have to be granted equal access to such funds.'

Ceding national treatment in the area of record store

management may prove to be a lost opportunity in a much broader sense.

Currently, about 85 per cent of retail record chains are Canadian-owned. One chain, Sam The Record Man -- and its flamboyant founder Sam Sniderman -- have become symbolic of the sizable Canadian entrepreneurial presence in record retailing.

Independent record stores are virtually 100-per-cent Canadian-owned.

The retail sector would seem fertile ground for a government policy aimed at boosting domestic record sales. If a favorable deal could be struck, owners might be persuaded, through appeals to Canadian nationalism, to carry more Canadian product, promote it more effectively and show more sensitivity to the problems of independent distributors.

These suggestions are hardly new or radical, as industry figures and government reports have stressed the importance of such goals for years.

But the trade agreement makes the purchase of Canadian record chains and individual outlets more attractive to American players. In turn, as American ownership and management of the sector increase in Canada, the basis for moral suasion on the part of the government will evaporate.

It probably would take a ruling through the dispute-settlement procedures set up under the deal to determine the

ultimate effect of inclusion of record-store management in the agreement. But this is where the United States is more likely to gain a ruling in its favor than in the past.

Prior to the deal, American trade legislation had been ineffective in dealing with disputes involving services that are not traded physically across borders. As outlined above, in chapter 14 of the agreement clear rules are established for American firms -- located in Canada or the United States -- providing services to the Canadian market.

The dispute-settlement provisions for services outlined in chapter 18 of the agreement are designed to ensure enforcement of these rules and, in cases where both parties agree, institute compulsory, binding arbitration.

At last, American firms have a reliable method of fighting non-tariff barriers in a wide range of services, including record store management.

'While technically the same measures will be available to Canadian service firms operating in the U.S.,' writes Cohen, 'the balance is tipped dramatically in favor of American service firms, since the Canadian presence in the American service sector is negligible.'

The chapter covers other services that play important roles in the music industry, including management consulting services, media representatives, advertising agencies and-- through the inclusion of commercial post-secondary, non-university educational institutions -- certain schools of

music.

Despite the contradictions, exceptions and loopholes, several cultural industries ostensibly escape the provisions of the services and investment chapters by virtue of the deal's cultural exemption.

In addition, restrictions on certain activities are grandfathered, meaning the investment and services provisions do not affect government measures in effect at the time the deal was signed that involve exempted cultural industries.

For instance, restrictions on foreign investment in Canadian broadcasting systems aren't affected by the trade deal, and the existing legislation outlining such restrictions does not fall into the category of measures which, but for the cultural exemption, would violate the deal. Only legislation implemented after the deal was signed would fall under this heading.

However, Article 1405 states that the two countries will work to eliminate existing measures inconsistent with the intent of the agreement, to include other industries in the sectoral annexes of the services chapter and to seek further opportunities to enable freer access to each other's service markets.

As Steven Globerman and Aidan Vining of Simon Fraser University's Faculty of Business Administration observed shortly before the initial trade negotiations began: "The

importance to the United States of trade barriers in cultural industries should not be underestimated. The U.S. government sees trade liberalization in the services sector, including cultural industries, as a major step toward reducing the massive U.S. trade deficit.'

The U.S. free-trade implementing legislation clearly states the American objective of extending the services and investment chapters to fully include cultural industries, as well as working to eliminate the grandfathered provisions from Canadian legislation.

In addition, Article 2012 of the agreement has implications for what it labels ''designating a monopoly'' -- in other words, creating a Crown corporation. The deal states that such a public monopoly must be run so as to ''minimize or eliminate any nullification or impairment of benefits'' to the other party.

Should a government-run distribution network be established, American firms would be able to cite Article 2012 as well as the notwithstanding clause in demanding compensation.

However, not everyone is convinced the toughly worded provisions will result in equally potent retaliation.

''You know, I would be hard-pressed to see the U.S. administration not vetoing a bill to bruise Canada for something marginal and cultural,'' said one Canadian official.

Yet all indicators point to the United States Trade Representative making an example of Canada as a signal to other countries that, when it comes to entertainment, America means business.

It would be an unwelcome precedent should the United States' largest trading partner even succeed in maintaining existing barriers to American entertainment interests, let alone erect new ones.

Clearly, the United States is concerned that if non-tariff barriers to trade are allowed to remain and proliferate in Canada, a domino effect will occur in the European Community and beyond.

In a long-winded passage under the heading Cultural Industries, the Statement of Administrative Action accompanying the U.S. free-trade implementing legislation states:

'At such time as the president takes remedial action in response to actions that would have been inconsistent with the agreement but for Article 2005, paragraph one, with respect to enactment by the government of Canada of legislation, proclamation, or other action having the force and effect of law, either directly or indirectly, which impedes the production, distribution, sale or exhibition of film, television programs, video recordings, or any other measures that would be inconsistent with the agreement but for the exemption in Article 2005 (1), the president shall

endeavor to fashion a response in such a manner as to discourage the creation of similar non-tariff barriers in other countries.''

The way Waugh saw it, Canada was but one piece in a large puzzle the United States aimed to complete. ''They're concerned about the world market.

''So they want to nip us in the bud so that we don't see Britain, Australia, France, Germany, or whatever countries taking those same measures.''

Don Stephenson, policy adviser to Communications Minister Marcel Masse during the first half of 1990, said the U.S. entertainment lobby was concerned because if one country bucks the trend ''they're nervous that all will follow the lead.''

In 1989, the European Community passed rules requiring television stations to broadcast a majority of European programming ''where practicable.''

U.S. Trade Representative Carla Hills challenged the decision, taking the complaint to the GATT.

Indeed, in other countries, ''the Canadian content approach is growing rather than lessening,'' said Brian Chater, executive director of the Canadian Independent Record Production Association. Chater points to Australia and France, with regulated music video channels, as examples.

''To put it bluntly, they're trying to keep at least

some culture in their countries.''

The growing integration of the European Community members is often held up as an example of why Canada has nothing to fear from free trade. Yet if these countries are relying on barriers in order to preserve their cultural independence, should Canada not require them to foster a distinctive culture in the shadow of a giant 10 times its size?

The government and many free-trade supporters have sent out mixed signals on this aspect of the trade deal.

Under the agreement, is Canada expected merely to strive to protect its culture, or aggressively market it in order to take advantage of opportunities in the States?

In an article written shortly before the free-trade negotiations began in 1986, business professor Alan Rugman of Dalhousie University advanced the argument that the negotiators need not examine present or potential Canadian subsidies to the cultural industries.

''Such subsidies are focused upon the internal Canadian 'market' for culture. Only if these cultural 'industries' export a large component of their 'output' to the United States would the subsidies be of concern to Americans,''

writes Rugman, a free-trade advocate and one-time member of the government's International Trade Advisory Committee of private-sector representatives.

Concluding this wasn't the case, he adds, ''Canadian

culture is for Canadians, not Americans.''

In addition, concluded Rugman, a trade deal need address the penetration of the Canadian market by American cultural products only if they have been funded by U.S. export subsidies.

'The scale economies enjoyed by U.S. cultural industries are of economic origin and spillovers to Canada can hardly be remedied by protection in a trade negotiation.'

Rugman's comments illustrate the fundamental misunderstandings of the commercial cultural reality in Canada held not just by many American opinion leaders, but even some Canadians.

First, far from hoping a trade deal would reinforce the modest cultural measures established over the years by Canadian governments, the cultural lobby felt there was nothing to gain from such an agreement.

Contrary to Rugman's assumptions, cultural groups were justifiably wary that a deal would not stop at the elimination of tariffs, but also see the eventual deterioration of non-tariff barriers, such as broadcast content regulations, implemented in Canada -- a longtime American goal.

Second, Rugman's statement that Canadian culture is meant only for domestic consumption is paradoxical: Canadian industries are urged to exploit the vast American market

with savvy sales practices -- all industries, of course, except the cultural enterprises.

These businesses, he seems to say, can be content peddling their quaint, parochial brand of colonial culture in Canada because, unlike iron ore and maple syrup, no one outside the country would be interested in Canadian records, films or books.

The double standard isn't being exercised by the Canadian cultural industries, which some would allege want their subsidies and access to export markets, too. The hypocrisy is being espoused by critics like Rugman who recognize that Canadian cultural industries will have difficulties operating in a free-trade environment, but aren't prepared to address the issue realistically.

The commercial segment of the cultural lobby concerned with turning out quality, Canadian products can't be placated with a pat on the back and a fistful of Canada Council grants.

The crux of the matter isn't funding, however laudable and necessary, for the local poet or symphony orchestra.

It's cash for the chronically under-financed Canadian companies that struggle to mass-produce, package and market books, films and recordings for consumption in every nook and cranny of the global marketplace.

The crux of the matter is mass culture.

The commercial enterprises in Canada interested in

creating a truly national, mass culture would be overjoyed to see their products flood world markets in the manner of American records, films and paperback novels. But, first, Canadian cultural industries need to gain a foothold in their own market.

Perhaps the day will come when Canadian content regulations and FACTOR loans won't be necessary. But the current consensus in the Canadian-owned sector of the recording industry is that they're useful tools which, if anything, need to be strengthened.

However, with the free-trade deal, the pendulum has begun to swing in the other direction.

Yet, as even the Tory minister Marcel Masse has recognized, if Canadian musicians are to gain a significant share of their own market, the government must make substantial changes to the structure of the sound recording industry.

'We like good movies and records,' Masse told Canadian Business Review during a lengthy 1986 interview when he held the communications portfolio. 'Why then don't we watch and listen to our own?'

The foreign-controlled distribution networks for these products was a major factor, said Masse.

'If we don't solve distribution problems we will have difficulty in sustaining our cultural identity.'

The new Sound Recording Development Program would be

used to ensure domestic recordings would be distributed by Canadian companies, said Masse, articulately voicing his concerns in the characteristic manner that had earned him widespread, if wary, support in the cultural community.

'We have to work on the distribution network for books, films and records,' said Masse.

'I know that in doing that I annoy those who own the distribution networks and those who use the distribution system for their own purposes. But I feel it is my responsibility to act. I'll try to do it in a very diplomatic way.

'I don't want to ruffle too many feathers, but my goal is to make sure that we have, as soon as possible, a distribution system in this country in which Canadians have their place, which will help us to have a normal share of our market.'

Six years later, Masse was no longer communications minister and little had changed. While many felt the quality of Canadian recordings had improved on the whole, the number of Canadian albums released in 1990-91 accounted for about only 15 per cent of all releases -- virtually unchanged from the mid-1980s.

The development program, while praised as a step in the right direction, has focused primarily on production, and most of the records it has helped fund -- including Blue Rodeo's first two major albums -- were distributed through

the conventional multinational channels. The program itself has not directly aided record distribution.

But to his credit, Masse revealed plans in 1990 for a Cultural Industries Development Fund, aimed at providing equity loans, investment loans and management consulting services to Canadian companies involved in publishing, films and recording.

Publishing firms, recently hit by the loss of postal subsidies, were first in line for the \$33-million fund administered by the Federal Business Development Bank.

Money for the recording industry became available in July 1991.

The fund is an attempt to address the longstanding difficulties cultural enterprises faced trying to raise venture capital, owing to their high-risk nature and lack of tangible collateral.

But despite the possibility of the handful of small Canadian distribution firms gaining access to the money, the program seemed to offer little hope of real structural change in the industry, particularly the distribution system.

Crean underscores this chronic dilemma in her analysis of the trade deal: "Governments have introduced all sorts of programs to subsidize the development of the cultural industries over the years, but these have been directed almost exclusively to production.

''Time and again, secretaries of state and ministers of communications, revved up by the demands of the cultural community and convinced by their own industry studies, have gone to cabinet to get a policy that would do something about distribution.

''Time and again, as one wag put it, the minister went in with a tiger of a policy and came out with kitty litter, as cabinet shied away from action and buckled under pressure from the Americans.

''As a result, the structural changes which are absolutely necessary if Canadian culture is ever to have a national presence in this country have never materialized.''

The ongoing saga over the long-delayed film distribution legislation is a prime example of this phenomenon.

As the free-trade negotiations inched along in 1987, the government's handling of a bill designed to give Canadian filmmakers a greater share of the domestic market seemed to confirm the cultural community's worst fears about the pending trade agreement.

In February 1987, then communications minister Flora MacDonald announced she would soon introduce major legislation on film distribution.

Under the policy, foreign film distributors would only get a licence to distribute films they had entirely financed or for which they owned world rights. It would allow

Canadian film distributors the right to buy non-Hollywood produced films for distribution in Canada.

The legislation would enable Canadian film distributors to garner up to 23 per cent of the some \$1.35 billion in revenues generated from movies shown in theatres and on television in Canada.

A copy of the draft legislation leaked during the summer of 1987 indicated it would achieve the intended goal of clearing some space in Canadian theatres for homegrown films.

But even before the leak, the measures had become the target of fierce American opposition.

Jack Valenti, the influential head of the Motion Picture Association of America, raised his objections to then U.S. president Ronald Reagan.

In turn, Reagan broached the subject with Brian Mulroney during an Ottawa meeting, and U.S. congressmen opposed to the film legislation sent a letter to the prime minister.

In May, a group of American senators introduced a motion in the U.S. Senate condemning the proposed legislation and threatened to block passage of the free-trade agreement if such a film bill became law.

The Mulroney government responded by holding back the bill for more detailed consideration and redrafting.

On Oct. 9, days after the free-trade deal was reached,

a U.S. briefing paper published in the journal Inside U.S. Trade stated the Canadian negotiators 'have also promised to solve Jack Valenti's problem on film distribution within the next two weeks.'

In June 1988, after the trade agreement had been ratified by the U.S. Congress, MacDonald tabled draft legislation for a Film Products Importation Act.

The new version of the bill required only that Canadian rights for films be sold independently of the U.S. market, unless the foreign distributor owned the world rights or had invested more than half the budget.

'The act had been gutted to make it compatible with the free-trade agreement,' concluded Cinema Canada magazine.

At an Ottawa conference on free trade and culture just prior to the November 1988 general election, ACTRA director general Garry Neil cited the film legislation as the best example of how free trade already had begun to affect cultural programs negatively.

As spokesmen for the three major federal parties, a panel of industry representatives and an audience at the city's Arts Court listened, Neil lambasted the bill, which died on the Commons order paper when the election was called.

'It promised to have some sort of fairer competition for the Canadian market to internationally produced

material, but no guarantee at all that those would go to Canadian companies.''

By early 1992, the legislation had yet to be introduced, although there were vague indications that the Communications Department was developing an overall financial strategy to aid the cultural industries. A federal assistance package for the publishing sector included an infusion of \$102 million, but opened the door to foreign investment.

The move came one year after the United States expressed annoyance at measures preventing U.S. ownership of Canadian cultural industries such as broadcasting and publishing in its first biennial assessment of the trade deal.

The cultural sectors are exempt from most provisions of the investment chapter, says the January 1991 report to Congress from U.S. President George Bush. ''On occasion, Canadian actions to enforce the investment restrictions in the cultural sectors create irritants in bilateral relations.''

The Canadian investment restrictions were among the grievances listed by the office of the U.S. Trade Representative in its 1992 report on foreign trade barriers.

The report also mentions:

-A 1976 provision denying Canadian businesses tax

deductions for the cost of advertising in foreign print and broadcast media when the advertising is directed primarily at Canadians. The measure has assisted Canadian radio stations located near the Canada-U.S. border.

--Discriminatory postal rates that favor the Canadian magazine industry. The rates, which have helped various music-related publications, are being phased out slowly. They will be replaced by direct subsidies to publishers, but some commercially oriented magazines may be denied funds.

The Toronto Globe and Mail, meanwhile, published excerpts from a series of memos exchanged by key players in the film distribution saga, adding weight to the notion Canada backed down on the legislation in order to secure a free-trade deal.

The long-running battle over national film distribution is only the latest in a long series of misadventures.

In 1983, the Parti Quebecois introduced legislation aimed at gaining a measure of control over film distribution in Quebec and met with similar resistance.

In 1985, the American film industry apparently threatened to pull U.S. films out of Quebec theatres in protest. Following further pressure, the newly elected Liberal government of Robert Bourassa allowed the legislation to die.

As Rick Salutin has noted, the United States has

'fought like pirates' every time the Canadian film industry tried to establish a space for itself in Canada. 'They did it in the 1940s -- they practically destroyed the National Film Board; they did it with the proposed federal film policy under the Liberals a few years ago; they did it with the Quebec film policy of the Parti Quebecois -- and they won every time.'

The trials of the film industry are instructive examples of the consequences facing Canadian governments when cultural policy interferes with American profits.

Canadian support for marginally commercial activities such as opera, ballet and the symphony have generally gone unchallenged by American interests because, even when touring abroad, such artistic endeavors barely cause an economic ripple.

'But when you make structural changes, limit American ownership, limit the ability of Americans in the Canadian market to make a buck in cultural policy, then we'll see . . . American retaliation,' said Dix, assistant to MP Ian Waddell.

Brian Robertson, president of the Canadian Recording Industry Association, said the leaked version of the film bill blatantly favored Canadian companies while restricting foreign ones.

'I mean, there are no programs like that in the (recording) industry. I don't think there have to be,' said

Robertson.

'I don't necessarily think the Canadian producers are looking for it. I mean, I think they're looking to get efficient national distribution . . . and forces of revenue for investment.

'But, I mean, that distribution bill -- I think it was not playing on a level playing field.'

The Canadian-owned sector of the recording industry has long complained that the continental playing field has always been tilted in favor of the United States.

The numerous reports prepared for and by the federal government on sound recording during the last 15 years have largely concluded the same thing. The United States, with its historical advantages, capital resources and huge market, has held considerable sway over the Canadian recording industry.

While the business, along with other media industries, has become more globally diversified in the last decade, New York, Los Angeles and Nashville remain major recording centres, with perhaps only London rivalling the three cities in importance.

In an increasingly unstable environment owing to tariff reduction and the trend toward mergers and global rationalization, it is unclear what steps the federal government is willing, or even able, to take to bolster sound recording.

At the same time, the provincial associations are looking for federal assistance and reassurance in their attempts to develop the industry in their regions.

Stephenson, Masse's former policy adviser, admitted we may see the day in Canada when the 'only effective course is regulation.'

Yet, it appears significant new efforts to fund or protect the sound recording industry would require American approval.

As the 1988 Woods Gordon report on free trade states, 'Our discussions with government officials indicate that it will be more difficult under the free-trade agreement to introduce new legislation addressing cultural issues, and that advance discussion and consultation with the U.S. would be required.'

Indeed, in a June 1988 speech to the Canadian Film and Television Association at Toronto's Sutton Place Hotel, chief Canadian trade negotiator Simon Reisman said Article 2005 means 'new measures affecting cultural industries would be scrutinized by both sides to determine whether they were consistent or inconsistent with the agreement.'

'If there was a disagreement on this point, the two sides could go to the agreement's dispute-settlement procedures to resolve the issue.'

Reisman said only if the measure in question were inconsistent could the other side take a measure of

equivalent commercial effect, and that the dispute-settlement process could be used to ensure that it was no more than equivalent.

Given the structure of the agreement, he said, there are many things Canada can do to support the cultural industries without being inconsistent.

Revealingly, Reisman said he considered the newly tabled film legislation ''to be fully consistent with the FTA, and so do the lawyers on my team.''

His comments give credence to critics' charges that future cultural policy will be tailored to ensure it doesn't violate the provisions of the free-trade agreement.

Stephenson said Masse did not discuss the Cultural Industries Development Fund with U.S. government representatives, and did not feel obliged to do so.

This, perhaps, is not surprising considering the fund's modest budget. Masse wanted to put more money into the program initially, said Stephenson, yet funds were tight. ''But he saw the value of creating the precedent.''

However, the narrow range of freedom that currently exists under the deal could be diminished in the upcoming subsidy negotiations. Frechette said the talks would be long.

''It hasn't been an easy exercise during the first round,'' he said. ''It should be easier between two parties than it is between a multitude of parties. But they (the

GATT negotiators) have a lot more experience than we do, and they haven't been able to see the light at the end of the tunnel.

'So who knows whether we'll be able to. It's going to be a very tough exercise.'

The talks will likely begin after the North American trade negotiations and the Uruguay round of the GATT bargaining -- launched in Punta del Est, Uruguay, in September 1986 -- draw to a close.

Discussion of agricultural export subsidies has stolen the spotlight at the GATT talks. Canada has expressed concern over maintaining its agricultural import controls, such as marketing boards for milk, eggs and poultry.

Canada employs import controls in the cultural arena in the form of, among other things, content regulations for television and radio. They have frequently been listed as irritants in the U.S. Trade Representative's annual report.

Are Canadian content regulations a subsidy? 'Well, they're indirectly a subsidy, sure,' said one Canadian government official.

'It's in the eye of the beholder. Whether it is a matter of concern to those people will depend on whether it's going to adversely affect them in a commercial kind of sense.

'You know, there's got to be some real money at stake here.'

In 1984, a subcommittee of the U.S. Trade Representative's office surveyed executives in the cultural industries regarding exports. The executives reported that one of their most serious difficulties was "the failure of the U.S. government to voice effectively its objections to trade barriers that are imposed by foreign governments under the guise of political or cultural concerns."

The committee, headed by Thomas Wyman, then chairman and president of CBS, identified Canada as a major problem. It cited Canadian-content requirements for public and private radio and television broadcasts, as well as restrictions on the use of television and radio commercials produced outside Canada.

Can Canada eventually expect retaliation against cultural policies, including content regulation quotas?

"Things gotta be pretty bad before that happens," said the Canadian official. "It depends on the strength of the lobby group, I guess."

The American record business lobby, the Recording Industry Association of America, had merely been monitoring the agreement and keeping its members informed.

"I don't think this has been the burning issue by any stretch of the word for our record companies," said Anne Neal, deputy general counsel at the Washington-based association. "They've got a lot of other things on their plate that are of more immediate concern to them."

Understandably, Canada-U.S. free trade does not loom large on the agendas of vast entertainment conglomerates, particularly since the deal received little publicity south of the border.

And the major American companies have active subsidiaries in Canada whose executives were, naturally, inundated with information on the deal prior to the election.

However, the American association has studied the agreement, and has concerns about at least one aspect, said Neal.

"We've looked at it and we were concerned with the possibility that through . . . the passivity of the agreement on the cultural sector that there would be the possibility of imposition of restrictions or various other efforts to bolster Canadian cultural industries as opposed to our own."

Yet, the largest immediate threat to the Canadian industry is the placement of further restrictions on the ability of the government to act on its behalf. It seems the United States is determined to achieve this goal during the subsidy talks.

Indeed, the U.S. free-trade implementing legislation, passed into law by the American Senate in September 1988, spells out that country's agenda for the negotiations.

Section 304 (a) (1) of the bill authorizes the

president to enter into negotiations with the Canadian government ''for the purpose of concluding an agreement (including an agreement amending the Agreement) or agreements to -- :

(A) liberalize trade in services in accordance with article 1405 of the Agreement;

(B) liberalize investment rules; . . .''

The section goes on to state in clause (b) under the heading Negotiating Objectives Regarding Services, Investment and Intellectual Property Rights:

''(1) The objectives of the United States in negotiations conducted under subsection (a)(1)(A) to liberalize trade in services include --

(A) with respect to developing services sectors not covered in the Agreement, the elimination of those tariff, non-tariff and subsidy trade distortions that have potential to affect significant bilateral trade;

(B) the elimination or reduction of measures grandfathered by the Agreement that deny or restrict national treatment in the provision of services; . . .''

These objectives signal the intention of the United States to not only expand the agreement to include service sectors, such as the cultural industries, but to work toward elimination of all manner of barriers to U.S. trade used to support those industries.

The legislation singles out the cultural industries as

a primary concern in the clause on investment rules that immediately follows:

''(2) The objectives of the United States in any negotiations conducted under subsection (a)(1)(B) to liberalize investment rules include --

(A) the elimination of direct investment screening;

(B) the extension of the principles of the Agreement to energy and cultural industries, to the extent such industries are not currently covered by the Agreement; . .
..''

The message shines through the legalese of the trade lawyers quite clearly: Congress has directed the U.S. president to attain unfettered access to Canada's cultural markets in the pending negotiations.

''Here's another avenue,'' said Frechette. ''Here's another way to get at certain things they want to get at.

''I mean, if I was the American I would force to have the issue on the table again.''

Indeed, it seems the United States was pushing for such an advantage during the early stages of the North American trade talks.

The statement of administrative action accompanying the U.S. implementing legislation is equally direct in assessing the Canada-U.S. trade agreement's so-called cultural

exemption. The section titled Cultural Industries reads:

'The two-way provision of Article 2005, covering cultural industries is drafted so as to apply equally and reciprocally to both parties. However, the administration is mindful of the concern of the Congress that, in fact, it is the government of Canada and not the United States that is more likely to exercise the exemption for cultural industries in Article 2005.

'Any invocation of this exception to escape obligations of the agreement that would otherwise apply would be regrettable In determining any such future action, however, the administration would be mindful of the importance of discouraging, if at all possible, the exercise and reliance on Article 2005 (1) by the government of Canada.'

Some insiders dismiss such declarations as little more than rhetoric.

'There's an awful lot in the statement of administrative action,' said a Canadian official. 'But it takes two to dance.'

Gilbert Donahue, deputy director of the Office of Canadian Affairs at the U.S. State Department, said the statement was carefully drafted to include the views of Congress. But, he quickly added, it doesn't have the force

of law.

'As we say in Washington, the statement of administrative action plus 35 cents will buy you a cup of coffee. That's how important it is. It's part of the literature of the agreement but it's a snapshot of where Congress was at the time that was passed and no more.'

In early 1992, former chief U.S. trade negotiator Peter Murphy explained in a Montreal speech how he exploited Canadian concerns about culture during the free-trade talks in order to get the best deal.

Bruce Doern and Brian Tomlin shed more light on this aspect of the negotiations in their book Faith and Fear: the free trade story. They say then U.S. treasury secretary James Baker insisted on keeping the notwithstanding clause in the agreement because of concessions granted to Canada in the investment chapter.

'The cultural issue meant little to Baker,' they write. 'Nevertheless, when the Canadians pressed him to drop the retaliatory clause, he refused because he was angry over their recalcitrance on investment.'

Canada seems to be running out of bargaining chips with which to keep culture off the table.

'Even before serious negotiations begin on the issue of subsidies with the U.S., Canada has begun to unilaterally disarm itself by cutting subsidies to Via Rail, regional development budgets, unemployment insurance and agricultural

subsidies,' chides a scathing report card on the trade deal issued by the Liberals in December 1989.

'Examples abound of the cuts the Mulroney government has made to programs the U.S. regards as 'irritants,' writes New Democrat MP Dave Barrett in Free Trade: The Sellout, his assessment of the deal's first year.

'In the cultural sector alone, these range from the elimination of postal subsidies for Canadian magazines to the failure to implement film distribution legislation to give Canadian film-makers access to their own market, to inadequate enforcement of legislation to support the Canadian publishing industry, through cuts to the CBC and the threat to cut our national network off from advertising revenue, which would force our broadcasting system to rely on corporate and community support as 'public' networks do in the U.S.'

As the Canadian recording industry tries to wriggle free of multinational domination, it appears the grip of foreign influence will continue to tighten.

CHAPTER SIX: SORRY, SOLD OUT

They've already got Gretzky and Monty Hall
They got the telephone and they got basketball
They gave us acid rain
We gave them Trivial Pursuit

-- ''Free Trade''
Alex Sinclair

The federal spending estimates are contained in non-descript, pale blue booklets duly issued by Ottawa shortly after the federal budget is tabled each year.

The volumes do not make the bestseller lists. Even few people who follow the daily ins and outs of federal politics give them a second look.

But bold declarations of purpose can sometimes be found in the pages of the estimates amid reams of charts and numbers.

''Canadian cultural development and expression must enter a new era,'' reads a passage of the 1992-93 Communications Department estimates.

'It must be acknowledged that culture, while an activity of the spirit, is nevertheless subject to the laws of economics.'

The emphasis must be on changing market structures so Canadian cultural industries can prosper and contribute to the country's identity, the document says.

'In effect, these industries must become more self-sufficient.'

Canadian companies are operating in a smaller market than their foreign competitors, who often do business in the world market, the estimates state.

'Canadian companies must therefore have an environment favorable to their growth if they are able to compete internationally.'

Far from making it more attractive, there is reason to believe the Canada-U.S. free-trade agreement will pollute the environment of the Canadian sound recording industry.

The dream of a healthy recording community has long been a fragile one, and the trade deal could well burst the bubble.

Many are concerned the agreement has injected a poison into the industry and, at the same time, may have destroyed the means of creating an antidote.

Over the course of a generation, entrepreneurs, producers, musicians and bureaucrats have collaborated, against substantial odds, to foster a domestic recording

industry.

While they have made great strides, there is a long way to go and the obstacles are many. The trade deal could seriously undermine efforts to complete the journey.

It may be several years before the effects of the deal on the sound recording are clear. But there is a considerable body of evidence and opinion to suggest the deal will have a negative impact on the industry.

The business has developed in Canada largely with the help of federal measures: Canadian content regulations for broadcasters, tariffs on the importation of recordings, and the sound recording development program.

Still, the government has failed to articulate a coherent strategy for the recording industry, and its policies have made barely a dent in the foreign-dominated structure of the business.

"Any public policy that ignores the structural problems of the recording industry will almost certainly fail," wrote cultural analyst Paul Audley in 1983.

But even studies conducted by the government itself acknowledge that far from bolstering the structure of the industry, the trade agreement threatens to weaken its pillars.

The content regulations, never fully accepted by the broadcast sector, continue to be undermined by radio stations that barely fulfil commitments and show minimal

enthusiasm for Canadian talent. The quotas have been criticized by some of the biggest Canadian stars. And they have long been cited as a non-tariff barrier by the United States.

Ottawa seems to be considering legislating protection known as neighboring rights as part of proposed copyright reforms likely to be introduced in 1992. Washington is also looking at such a move. Neighboring rights would allow performers and producers to earn royalties when their songs are broadcast on radio. This would be in addition to the royalties broadcasters already pay to songwriters, composers and publishers.

However, the implementation of neighboring rights in Canada and the United States is likely to give the Americans more ammunition in their fight against content regulations. Under a reciprocal rights agreement, U.S. interests will receive royalties for songs played on Canadian radio. However, they will automatically be denied at least three-tenths of the pie because the content quotas ensure that 30 per cent of the music played is Canadian. Such is the case with royalties currently distributed.

In its 1987 examination of free trade, the Communications Department stressed that the regulations 'continue to play a crucial role in the development of the sound-recording industry in Canada.'

However, the unpopularity of the regulations in certain

quarters on both sides of the border could well prompt Canadian negotiators to use them as a bargaining chip during the free-trade subsidy negotiations that will follow the Uruguay round of GATT and the North American free-trade talks.

As the 1988 Woods Gordon study on free trade done for the government says, the Americans could come to the table with the quotas on their list of grievances.

Tariffs on recordings imported from the United States are decreasing annually under the deal and will disappear completely on Jan. 1, 1998.

'With the elimination of tariffs, there could be pressure on foreign-controlled multinationals to reconsider the scope of their production, manufacturing or distribution operations in Canada,' says the federal Industry Department in its 1991 profile of the industry.

The prospect worries Attic Music Group president Al Mair, whose independent firm relies on one of the major companies for cross-country distribution.

'I still feel that we're not too far away from one of the multinationals in Canada deciding that they can do it directly from the U.S.,' said Mair, president of the Canadian Independent Record Production Association.

'And if one does and it works, then the others are more likely to fall in line.'

Such a development could have seriously negative

effects on the federal Sound Recording Development Program, which, as Karyna Laroche has pointed out, makes the implicit assumption that the multinationals will distribute the independent product created with the help of the fund.

The program devotes no money to the distribution of pop-oriented recordings, only specialized ones such as classical or jazz.

More worrisome, perhaps, is the program's lack of a comprehensive vision for the industry.

'The program's objectives are vague and mean nothing in terms of cultural and economic development,' said a 1991 Communications Department evaluation of the initiative.

'The policy says that the program is to strengthen the capacity of the private sector to produce and market, but nowhere does it specify the degree of strengthening to be achieved.'

The evaluation acknowledges that the fund lacks the money to satisfy demand.

The program could prove a boon to the industry -- and the economy -- if given the capital to operate on the scale of Telefilm, the government's film industry support vehicle, which has drawn on annual budgets topping \$150 million.

Mair estimates that providing the Sound Recording Development Program with \$30 million, as opposed to the current sum of about \$5 million, would see the industry revenue brought into Canada from abroad each year double to

\$500 million. Everyone would win.

But the agreement has a built-in retaliation clause enabling the United States to exact a price each time Canada opts to support its industry with public money. That makes the possibility of an expanded development program unlikely, if not out of the question.

No less a cultural authority than Stompin' Tom Connors has declared that ''we've practically sold our country down the drain with free trade.''

Connors, who quit the industry out of frustration in 1978 over the way it treated Canadian performers, launched a comeback tour of small communities in 1990. The distinctive sound of his plywood-shod heel stomping to the beat was heard in towns like Melfort, Sask., Antigonish, N.S., and many in between.

He returned saying he thought he could do more to support the Canadian business onstage than on the sidelines.

But he threatened to quit again if he had to do it alone.

It follows, then, that if Stompin' Tom stops wearing a groove in stages across the land, it'll be a sign that Canada has lost more than a folk hero to early retirement.

The dream of a Canadian music industry may slip away as well.

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Appendix A
Interview List

<u>Interviewee</u>	<u>Group/Organization</u>	<u>Date(s)</u>
Adams, Carm	American Federation of Musicians, Canada	Feb. 3, 1989
Armstrong, Mary	WEA Music of Canada, Ottawa	May 5, 1989
Beeby, Fred	Ross-Ellis Canada	March 2, 1989
Berry, Paul	Canadian Musical Reproduction Rights Agency	Feb. 28, 1989
Burley, Don	Revenue Department	May 5, 1989
Chappell, Doug	Virgin Records Canada	Jan. 27, 1989
Chater, Brian	Canadian Independent Record Production Association	Feb. 10, 1989
Coupar, Doug	Alliance of Canadian Cinema, Television and Radio Artists	March 27, 1989
Deschenes, Pierre	Americ Disc	March 28, 1989
Dix, Adrian	Office of New Democrat MP Ian Waddell	May 4, 1989
Donahue, Gilbert	U.S. State Department	May 8, 1989
Dyer, Alan	Sony Music Canada	July 4, 1990
Durand, Marc	Alert Records	May 4, 1989
Farrell, David	<u>The Record</u>	March 1, 1989
Feeney, Jack	Canadian Country Music Association	Feb. 1, 1989

Frazer, Bruce	Kids' Records	Feb. 3, 1989
Frechette, Serge	Trade Negotiations Office	March 16, 1989
Gardner, Ron	Golden Manufacturing	March 17, 1989
Gibson, Marcelle	Department of Communications	Feb. 7, 1989
Ginsberg, Murray	Toronto Musicians Association	Feb. 3, 1989
Grealis, Walter	<u>RPM</u>	March 1, 1989
Heaps, Adrian	Duke St. Records	Feb. 2, 1989
Johnston, Bob	SuperCorp	Feb. 23, 1989
Kaye, Cyril	Electric Distribution	March 17, 1989
Keelor, Greg	Blue Rodeo	Nov. 17, 1988
Kulin, Stan	WEA Music of Canada	Feb. 8, 1989
LaPointe, Kirk	<u>Billboard</u> The Canadian Press	Feb. 13, 1989 March 20, 1989
Lamoureux, Ron	Past-president Manitoba Audio Recording Industry Association	May 3, 1989
Leduc, Pierre	Department of of Communications	May 8, 1989
Mair, Al	Attic Music Group	Feb. 6, 1989 Feb. 14, 1992
Martin, John	MuchMusic	May 12, 1989
Matejcek, Jan	Performing Rights Organization of Canada	Feb. 1, 1989
McBride, Terry	Nettwerk Productions	May 5, 1989
McDonall, Garry	Alberta Recording Industry Association	Feb. 24, 1989
Morency, Gaetan	L'Association du disque et de l'industrie du spectacle quebécois	March 22, 1989

Neal, Anne	Recording Industry Association of America	March 16, 1989
Oakes, David	Joint Communications	March 1, 1989
Ortman, Ria	Current Records	Feb. 2, 1989
Ott, Bill	A&M Records of Canada	Jan. 31, 1989
Petersen, Holger	Stony Plain Records	May 4, 1989
Philosophe, Isidore	Cinram	March 2, 1989
Platel, Dave	BMG Records	Feb. 2, 1989
Rice, Julian	Fanfare Records	Feb. 3, 1989
Robertson, Brian	Canadian Recording Industry Association	March 25, 1988 Jan. 13, 1989 Feb. 14, 1992
Shechtman, Allen	Truly Fine Records	Feb. 2, 1989
Simpkins, Brian	Astro Custom Records	March 2, 1989
Southam, Ted	Shorewood Packaging	March 2, 1989
Speranza, Nando	Atlantic Music Producers Association	Feb. 24, 1989 Aug. 5, 1990
Spurgeon, Paul	Composers, Authors, and Publishers Association of Canada	Feb. 28, 1989
Swinghammer, Kurt	Musician	March 3, 1989
Tennant, Stephen	MCA Records (Canada)	Jan. 31, 1989
Turkowitz, Neil	Recording Industry Association of America	March 16, 1989
Underhill, Richard	Shuffle Demons	Feb. 28, 1989
Waugh, Nanci-Jean	Office of Liberal MP Sheila Finestone	February 1988 March 20, 1989
Wilkins, Blaine	Past-president Saskatchewan Recording Industry Association	April 8, 1989

Conferences

<u>Sponsoring Organization</u>	<u>Location</u>	<u>Date</u>
Canadian Conference of the Arts	Ottawa	Nov. 14, 1988
City-TV	Toronto	Feb. 25, 1988
International Association for the Study of Popular Music	Ottawa	Nov. 22, 1986