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TOWARDS A POLITICAL ECONOMY OF
THE CANADIAN RECORDING INDUSTRY

By

Brian O'Shea Papizzo

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfillment of
the requirements for the degree of

Master of Arts in Communication

Department of Journalism and

Mass Communication

Carleton University

Ottawa, Ontario

June 7, 1993

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accrue from the free competition of capital and industry. His proclamation against state interference was based in the deduction, from his analysis of the historical stages of economic development, that most governing involvement in the past had either explicitly or implicitly served the interests of the rich over those of the poor. Thus, Smith was arguing for an autonomous, self-regulating economy.

Although Karl Marx shared Smith's fear of the misuse of state power and a belief in the benefits of a social analysis based on scientific principles, Marx disagreed with many of his analytical formulations and conclusions, especially concerning their harmonious and universal nature. Whereas Adam Smith's classical economic theory brought a determining centrality to the concept of the rational actor or the rational activity of the market place, Marx's central concern was with the mode of production that was deployed in any particular historical period. It was the 'logic', and the contradictions in that logic, that was contained within the dominant mode of production which determined the conduct of social relations in society, and it was where the mechanisms of societal transformation could be discovered. Marx's review of the functioning of society has become known as historical materialism, where the internal contradictory and conflictual nature of the dominant mode of production are highlighted and examined.

Abstract

The thesis examines the Canadian political economy literature as it has attempted to take account of communication and cultural industries, the history of the Canadian recording industry within the global recording industry, and Canadian government policies and programs pertaining to the industry.

The review of political economy finds that the Canadian recording industry has been a neglected area of inquiry. The historical examination demonstrates the influence of foreign conglomerates on the structure and profit flows of the Canadian industry. The review of government activity shows a lack of attention towards industry needs, and an overall policy strategy which reinforces structural inequities.

The theme is developed over four chapters: introduction, the history of the Canadian recording industry in a global context, government programs and policies, and concluding arguments.

The author concludes that a combination of government inaction, the free trade deals, and industry indifference leaves the Canadian recording industry barely Canadian.

Acknowledgement

I would like to thank those in the recording industry who took the time to talk to me, especially Larry Leblanc, Al Mair and Brian Chater for their frankness in discussions about the realities of the Canadian recording industry. Heather Williams and her staff at the Sound Recording Development Program, and Peter Caskey at Investment Canada also deserve a note of thanks for supplying me with the government's point of view towards the industry.

I am indebted to my advisor, Vincent Mosco, for a spirit of will and guidance which was invaluable in the completion of the project. I would also like to take this opportunity to thank the other members of the faculty in the Department of Mass Communications at Carleton University for their assistance in helping me to reach this point in my career transformation.

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CHAPTER ONE: INTRODUCTION

The year was 1957, west-side Toronto. I was six years old, Elvis Presley was twenty-one and my rebellious "greaser" cousin whom I adored was fourteen. Something in the combination of the timbre of Elvis' voice, the dance-inducing beat of the music, and the association with my "dangerous" cousin who had "turned me on" to Elvis' record spoke to some deep part of my being that I was much too young to comprehend at that time. I was also much too young to understand all the various reasons why Elvis' song was such a huge hit in Canada, why Elvis would make his 1957 concert appearance in Toronto, why the CHUM AM radio station was playing the song so often, and why the profits made from this embryonic stage of the "Elvis industry", Canadian division, were flowing out of Canada (or admittedly, even what "profits" were!).

I am much older and more informed than that now, and among other things I now listen to Moses Znaimer, president and executive producer of Much Music, discuss the "overwhelming growth of the Canadian recording industry over the past decade" (Toronto Globe and Mail, November 23, 1991:

B5); and Michael McCabe, president and CEO of the Canadian Association of Broadcasters, talk about a "stronger recording industry" (The Record 12:4, August 31, 1992: 16); and even Prime Minister Brian Mulroney proclaim "the growth of Canada's vibrant music industry" (The Record, *ibid*: 10). Statements like these concerning the robustness of the Canadian recording industry have been delivered on at least an annual basis since the mid-1970s, usually coinciding with the presentation of awards at industry and/or social self-congratulatory functions.

Unfortunately, the definition of vibrancy is infinitely flexible which could lead one to believe that the Canadian recording industry is in fact operating from a sound economic foundation; and that the future of the industry is unlimited, dependent only on the quality of the product put forth by Canadian musicians; or that the Canadian recording industry is even Canadian. Regardless of the type or quality of recorded products in Canada, these statements and resulting conclusions could not be further from either the historical, or current, or possibly forthcoming truth about the Canadian recording industry. (For the remainder of this thesis I will most often refer to the Canadian recording industry with the acronym of CRI.)

The most important reason to analyze the current structure and process of the CRI is the part it plays in the overall cultural invasion of Canada by foreign, mostly

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American, media systems. All cultural industries in Canada, apart from newspaper publishing and theatre production, are dominated by American products. American books, magazines, movies, television content, radio content and recorded products overwhelmingly dominate Canadian consumption patterns. What we hear, read and watch is mostly American culture; and this is especially true in relation to the Canadian recording industry, whether in terms of production or consumption. This does not bode well for the survival of a separate independent Canadian viewpoint.

The nature of the CRI, from its very inception in the late 1800s, has been rooted in the overwhelming concentration of ownership and control in the hands of very few foreign-based firms and/or their Canadian-based subsidiary corporations. Further, as the situation has developed over the past half century in Canada, and in keeping with the intensified globalized concentration of media ownership within very large and powerful entertainment, information and communication multinational corporations owned themselves by even larger and more powerful non-media-centered transnational conglomerates: the control of the CRI in both terms of structure and process continues to be held by foreign ownership.

Considering the fact that all of the initial technological patents relating to audio recording and playback belonged to Americans, it is not surprising to

discover that subsidiaries of the forerunners of the first "big three" record companies in the US (Columbia, Edison and RCA Victor) would comprise 100% of the Canadian recording industry over its first two decades of existence (1887-1907). Thus, a pattern of unequal concentration of ownership and control, with that ownership being in the hands of foreign-controlled firms, was part and parcel of the CRI from its very inception. As a matter of fact, the history of the CRI pre-1970 is a mirror reflection of whatever number of large corporations were dominating the US recording industry: i.e., the "big four" in the 1930s, the "big six" in the 1960s, etc.

Further, and due to these foreign connections, the CRI over the past quarter century (post-1970) has assisted in constituting a global concentration of capital, cross-media ownerships and conglomerate ownership within six transnational corporations (Time-Warner - US, Matsushita - Japan, Sony - Japan, Thorn-EMI - UK, Bertelsmann - Germany, Polygram - Netherlands) which have come to account for the majority of products and profits of the world's recording industry. In Canada, the subsidiaries of these six corporations currently control well over 3/4 of the recording industry no matter which yardstick is being used to measure; and, if using retail unit sales as an indicator, represent approximately 90% of all Canadian sales (CIRPA, 1987: 7; Rosen, 1990: 9-15).

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The purpose of this thesis is to trace the historical development of the CRI, including governmental activity devoted to regulating the shape, form and practices of the industry. The central concerns of this thesis will be threefold, the first, (in Chapter Two), to provide an understanding of the historically-established ongoing ability of foreign-based multinational corporations to dominate the CRI. Domination here is taken to mean possessing the majority ownership and exercising control over the majority of profits in the areas of record wholesaling, distribution and mechanical licensing rights. Admittedly, the status quo in the CRI does produce ancillary employment for Canadian citizens in the form of approximately 12,000 production, marketing, retail sales and performing jobs, and a significant amount of surplus revenues accrue to Canadian owners of retail stores or chains across Canada (Rosen, 1990: 15). Nevertheless, the total monetary worth of those jobs and profits remaining in Canada pale in comparison to the worth of the profits flowing away from Canada.

Attention will also be given here to the historical development of the Canadian-owned independent portion of the CRI, with the purpose of demonstrating the eventual, inevitable and unequal industrial negotiating process that this Canadian-owned segment of the CRI must necessarily engage in if they want to "make it in the record biz":

whereby the more ambitious Canadian musical performers and their independent companies must utilize the economies of scale offered by the majors' controlled indigenous and global distribution systems.

Of equal importance to the historically-established structure and processes of the CRI, and the second facet of concern for my thesis, is an understanding of how the Canadian federal and provincial governments have reacted to and regulated the industry, replicating a pattern of temporally-lagging and substantially lacking legislation regarding the regulation of both the Canadian cultural and telecommunication industrial sectors. My analysis here in Chapter Three will include a review of the government policies that are specifically directed towards the CRI, and those more general areas of industrial and trade policies that have come to affect the industry, especially in regards to the Free Trade Agreement between Canada and the United States.

Government reaction to the historical state of the CRI has been weak at best. The body of state legislation specifically regulating the industry is almost non-existent, with the exception of a few copyright laws and technical guidelines. More general industrial policies, such as foreign investment review boards or free trade agreements, have had a more meaningful impact on the industry than any particular set of government guidelines for the CRI. Even

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that piece of legislation most beneficial to the industry so far, the 1971 requirement that Canadian radio stations broadcast at least 30% Canadian-sourced recordings (Canadian Content Regulation), did not significantly change the oligopolic structure or behaviour of the CRI.

Lastly, in Chapter Four I hope to provide an understanding of how the interplay of industry and state policies and activities, the contemporary globalization of the recording industry, and new forms of media and consumer electronics have produced changes in the relationship between the independent segment of the CRI and the subsidiaries of the six major global recording corporations operating in Canada. These changes do not so much affect the traditional structure of the CRI as evidenced in the flow charts in Appendix A, but rather they change the content of the relationship. These transformations are in the areas of product distribution, the service functions of the independent CRI, and the promotion of Canadian artists.

With the disappearance of Quality Records as the last major nationwide Canadian distributor in 1986, combined with the ten-year phase out of tariffs on American recorded products as part of the Free Trade Agreement, the traditional east-west distribution of recorded products in Canada has begun shifting to a south-north orientation. Second, and once again in relation to the collapse of Quality Records as a major supplier of Canadian product, the

independent record company in Canada is now almost wholly dependent on foreign-based subsidiaries for Canadian or international distribution. This has had two major consequences for the function of the Canadian independents: 1) Most independents who possess a back-catalogue of previously successful Canadian product (i.e., golden oldies) have stopped signing new artists and rely on the profits of re-releases of that older material; 2) The Canadian independent record company who is still signing new acts fulfills only a scouting function (i.e., A & R, artist and repertoire) for the foreign-based major and/or its subsidiary. Lastly, there is a recent tendency for the foreign-based corporation to sign more successful Canadian acts to its headquarters corporation, bypassing even its own Canadian subsidiary. This translates into less in promotional funds for Canadian acts signed to its subsidiary, as opposed to those signing directly with the home corporation, resulting in lower radio play and sales figures for the Canadian subsidiaries' artists.

Altogether these transformations are resulting in greater difficulty for Canadian performers to sign an initial deal with a Canadian independent. If they are lucky enough to get a contract it is then more difficult to secure radio airplay which in turn makes it more difficult to getting distribution through a foreign-based Canadian subsidiary company, which is being supplied more and more

with non-Canadian material from south of the border or overseas via US companies. If this newly emerging vicious circle is allowed to solidify and grow, the independent CRI will soon cease to exist in any meaningful way.

Finally, although my political economy of the CRI will concentrate on the English-Canadian sector of the industry, I will include some discussion of the French-Canadian industry since that it has also been subject to many of the same pressures sourced in the international industry as has the English-Canadian industry. The French-Canadian recording industry has in the past been somewhat insulated from outside influences and patterns of ownership simply owing to language and cultural differences; but even here, "globalization" is beginning to have serious consequences.

Analysis

The analytical perspective I will be employing in this thesis will be a political economy of communications. Although foundationally-rooted in Marxian and neoclassical economics, a Canadian political economy must also be based in more contemporary formulations which attempt to take into account the current complicated and complex arrangements and practices of international business. "Global competitiveness within a level playing field" is the rhetorical representation that displays only the surface of a very complex worldwide set of both state and business

institutional networks that the Canadian entertainment industries are a small part of.

In order to understand the application of a political economy perspective towards the Canadian recording industry it is necessary to review the basic tenets of the analysis as it has developed in the Canadian context. In this survey the salient features of Canadian political economy will be highlighted, though my review will be by no means exhaustive in its scope: i.e., as with my study of the CRI, much of the political economy literature from Quebec will not be included, nor will major publications sourced outside of Canada. Having said this however, some of those Quebecois and non-Canadian authors and their relationship to a Canadian political economy of communications will be referred to and discussed later in the main body of the text. I will first briefly touch on the debate between the two major protagonists of a general political economy, proceeding into a survey of the Canadian school of political economy, concluding with a review of the recent establishment of a more specific Canadian political economy of communications.

The roots of political economy are predominantly founded in the works of Adam Smith (1776, [1961]) and Karl Marx (1859 [1973]). Adam Smith, writing from a liberal perspective at the turn of the nineteenth century, was interested in the transformations manifested in the rise of

capitalism. His focus was on the development of commodity markets and the relations of production brought about by the labour theory of value. Simply put, this economic thesis proposes that a commodity's value depends on the value of the human labour that it takes to produce the commodity. Smith felt that by utilizing a scientific method of analysis not only could individual commodity markets be opened up for investigation, but a theory of social development could be constructed around the guiding principles of a free market exchange of commodities spurred on by the human desires of co-operation, betterment and consumption.

At the heart of Smith's beliefs, especially in relation to his analysis of the historical transition from a feudal society based in agriculture practices to capitalist society based in merchant commerce, was his thesis of the "invisible hand" of the market. By individuals pursuing their own ends, by merchants seeking only to increase their personal wealth without really caring whether those ends benefitted the overall public, social development took place that would eventually produce a more advanced civil society. By way of the collection of the surplus value of the products they sold or the labour of the workers they employed, capitalists would serve the collective interest by reinvesting and spending their accumulated wealth. Simultaneously, Smith felt that minimal state involvement, or intervention, was a necessary factor in order for the full social benefits to

accrue from the free competition of capital and industry. His proclamation against state interference was based in the deduction, from his analysis of the historical stages of economic development, that most governing involvement in the past had either explicitly or implicitly served the interests of the rich over those of the poor. Thus, Smith was arguing for an autonomous, self-regulating economy.

Although Karl Marx shared Smith's fear of the misuse of state power and a belief in the benefits of a social analysis based on scientific principles, Marx disagreed with many of his analytical formulations and conclusions, especially concerning their harmonious and universal nature. Whereas Adam Smith's classical economic theory brought a determining centrality to the concept of the rational actor or the rational activity of the market place, Marx's central concern was with the mode of production that was deployed in any particular historical period. It was the 'logic', and the contradictions in that logic, that was contained within the dominant mode of production which determined the conduct of social relations in society, and it was where the mechanisms of societal transformation could be discovered. Marx's review of the functioning of society has become known as historical materialism, where the internal contradictory and conflictual nature of the dominant mode of production are highlighted and examined.

Marx's review of social history demonstrated the many contradictions within capitalism, and thus classical political economy, centered in his analytical conclusion that the accumulation of private and corporate wealth had produced crisis as opposed to harmony, and that the self-regulated efforts involved in overcoming these crises had usually only produced more upheaval. At the heart of his radical political economy, if you will, was the conflict between class interests, and the ideology of the ruling, or ownership, class that was employed to overcome the interests of the labour class and to maintain the status quo. For Marx, the commodity of labour was not only limited to the economic features of use, exchange and surplus value, but that it had a major part to play in the forming of social consciousness sourced in the different class interests of merchants or the owners of production, and those that they employed.

The totality of these relations of production constitutes the economic structure of society--the real foundation, on which legal and political superstructures arise and to which definite forms of social consciousness correspond. The mode of production of material life determines the general character of the social, political and spiritual processes of life. It is not the consciousness of men that determines their being, but on the contrary, their social being determines their consciousness.

(Marx, [1859] 1973: ix)

This passage is important for two reasons in relation to my review of the Canadian political economy perspective

on communications. The first is the identification of ideology here with the dominant mode of production which at the time of his writing followed the precepts set out in Smith's classical political economy. Ideology is linked to and legitimates the exploitation inherent in a capitalist system. Second is Marx's separation of the sphere of economic activity, the base, from the areas of society which are more concerned with ideas (i.e., politics, the legal system, culture, etc.), the superstructure.

Although the issues touched upon here are not the specific subject of my thesis, the different social outlooks evident between Smith and Marx still resonate wherever and whenever political economy is contemporarily debated or deployed. In Canada, most of the discussion in political economy has revolved around the central issue of Canada's place in the international economy, more specifically concerning Canada's economic and cultural position vis-a-vis the United States.

The majority of Canadian political economists look to Harold Innis for the foundations of their perspective (Drache and Clement, 1985; Clement and Williams, 1989). His early work on staples theory, and his later concerns about communication systems and empire building, is seen by most as being brilliant if not somewhat eclectic in that he did not follow a strict classical or Marxist line of political or economic reasoning.

Be that as it may, his work has been tremendously influential on those political economists, and other authors, who came after him. This is particularly the case in relation to the ways in which his various theses have been interpreted as either being or not being based in a dependency theory of economic or cultural development.

Innis' early writings about the nature of Canadian society in the nineteenth and the early twentieth centuries revolved around transportation capabilities, and natural resource production, circulation and national ownership (1923, 1930, 1940). The 'staples thesis' that he established here involved the placement of the development of the Canadian economy squarely in the regional extraction of resources (i.e., fur, fish, wheat and mined reserves) for the purposes of exploitation by those in the major centres of power in Canada at that time, Toronto and Montreal. In turn, these resources were exported, first to Britain and France, and later to the United States. In essence, the affects of this trading pattern according to Innis were that Canada failed to develop a finished or refined products manufacturing base, a technological gap was maintained between the larger powers and Canada as a developing nation, and an overreliance on foreign investment resulted in creating structural difficulties for the Canadian economy. As contained in an oft-quoted statement from the conclusion of The Fur Trade In Canada, which inadvertently sowed the

seeds of the future debate surrounding dependency analysis and its place within Canadian political economy, Innis felt that "the economic history of Canada has been dominated by the discrepancy between the centre and the margin of western civilization (1930: 385).

Innis' later work involved his interest in the extension of empires, particularly of the American variety, by way of the expansion of communication systems (1950, 1951). Although these major works contain his broad philosophy of communication technologies, including his postulations about the space-and-time bias of particular media forms, what is more important for my construction of a Canadian political economy of communications is Innis' thoughts here, and in other publications (1948, 1952, 1962), regarding national media systems and the relations between national cultures. Much of his concern in these works was directed towards what he saw as a general denigration of oral culture in developed Western societies through the increasing use of mechanized communication technologies (cf, Carey, 1981: 84-7). However, he also paid significant attention to the homogenizing affects of the industrialization of media systems, particularly in relation to the American book, film, press and radio media:

The overwhelming pressure of mechanization evident in the newspaper and magazine has led to the creation of vast monopolies of communication. Their entrenched positions involve a continuous, systematic, ruthless destruction of elements of

permanence essential to cultural activity.... The guarantee of freedom of the press under the Bill of Rights in the United States...has meant an unrestricted operation of commercial forces and an impact of technology on communication tempered only by commercialism itself.

(Innis, 1952: 15)

Innis felt that the commercialization of cultural industries was tantamount to an attack on cultural standards of excellence, in that "mechanization demands uniformity" (Ibid: 20), and that...

Superficiality became essential to meet the various demands of large amounts of people and was developed as an art by those compelled to meet the demands. The radio accentuated the importance of the ephemeral and of the superficial. In the cinema and the broadcast it became necessary to search for entertainment and amusement.

(Innis, 1951: 82)

Although some authors have taken Innis to task either for his normative stance towards the changing post-World War II cultural landscape or his seemingly anti-American bias (Carey, 1981; Gray, 1981; Magder, 1989), his statements about the dangers of a highly concentrated ownership of American media and its culturally insensitive behaviour towards Canada can now be seen as being quite prophetic (especially for the Canadian recording industry, although he doesn't specifically include that media type here):

Canadians are persistently bombarded with subscription blanks soliciting subscriptions to American magazines...Canadian publications supported by the advertising of products of American branch plants and forced to compete with American publications imitate them in format,

style and content. Canadian writers must adapt themselves to American standards...In the field of the newspaper, dependence on the Associated Press and other agencies, on the New York Times, and other media needs no elaboration. In radio and television accessibility to American stations means a constant bombardment of Canadians.

(Innis, 1952: 16-17)

However, it is essential to note that Innis always viewed the relationship between communication systems and the expansion of empires, as evidenced in his analysis of the eighteen and nineteenth century newspaper industries, as one containing dialectical tensions: a constant interplay between forces of acceptance and resistance of new communication technologies, whether within domestic or between national cultures. Just as important is the legacy that Innis left us with as to the methodological mix employed in contemporary Canadian political economy endeavors. Instead of searching for ironclad laws of oligopolistic development, Innis demonstrated the importance of combining analyses in order to create a more sophisticated and specific understanding of Canadian political and economic activities, both domestically and internationally. Finally, by offering a way in which to see more clearly the mechanisms and affects of the mediation of political power and social control through the structures of communication and culture, Innis laid the foundations for a contemporary Canadian political economy of communications (cf, Magder, 1989: 280).

The dialectical tension in this early phase of Canadian political economy during the 1920s to the 1950s is evident in the work of W.A. Mackintosh (1924, 1933, 1934, 1936). Not unlike the sharing of some basic categorical beliefs between Smith and Marx, Innis and Mackintosh were in agreement as to the staple export nature of Canadian economic development. However, and again not unlike Smith and Marx, they held different views as to the outcome of that trading pattern over time. Mackintosh believed that Canada was simply going through growing pains that would eventually dissipate. He posited that all developing nations went through roughly four stages of economic and trade development in relation to established nations: the first stage being the crudely organized trade of raw resources for manufactured products; the second, an intensification of the staple trade and foreign investment in order to create financing for transportation infrastructure and technological development; the third, a continuation of reliance on staple exports and foreign investment while developing the foundations of industrialization, which was usually reliant on the importation of foreign technology; and a final stage representing a full domestic maturation of industrial and technological capabilities (Mackintosh, 1933, 1936; cf Williams, 1986: 130-7).

Mackintosh felt the Canadian economy of the 1930s was in the latter part of the third stage of development:

...as southern cotton started the wheels of American industry and commerce in the nineteenth century, western wheat has permitted the initial step of the Canadian advance in the twentieth...the world staple primed the pump of Canadian industry.

(Mackintosh, 1934: 14)

He saw nothing untoward about this situation ; it was simply a progression that all developing nations had to experience in order to achieve full industrialization. Further, and foreshadowing the arguments put forth in favour of a North American trading bloc in the 1980s and 1990s, Mackintosh proposed that Canada was beginning to compete on an equal footing with the US as to the exportation of manufactured goods in the 1920s, and that high levels of US-sourced foreign investment in the Canadian economy were a fluctuating but not inhibiting factor (1933: 16-17).

The main points of contention and agreement between Innis and Mackintosh continue to resonate into the second major era of Canadian political economy, where the presence of foreign, mostly American, ownership in various sectors of the Canadian economy becomes the preeminent concern.

The publication of the 1968 federal government task force report on foreign ownership of Canadian industries (Canada, Privy Council Office, 1968: more commonly referred to as the Watkins Report), Kari Levitts' Silent Surrender:

The Multinational Corporation in Canada (1970), and the federal government task force report on foreign direct investment in Canada (Canada, Privy Council Office, 1972: more commonly referred to as the Gray Report) are noted as the works which heralded the beginning of a "new" Canadian political economy (Clement and Williams, 1989: 3; Marchak, 1985: 674). The government reports were immensely important for the establishment of a clarified framework of the structure, and to some degree the effects, of foreign, predominantly US, ownership and control of Canada's primary and secondary industries.

Among the information supplied in these reports the most important were that foreign corporations or individuals owned more than half of all manufacturing and mining assets, almost three-quarters of all petroleum extraction and processing, and over eighty percent of all assets in the high value-added manufacturing industries (i.e., automotive, steel, aerospace industries). Further, it was noted that the majority of Canadian exports were going to the US, and that the majority of these exports were not in refined or finished product areas (Canada, Privy Council Office, 1968: 122-65). Although the 1968 report concluded that "the Canadian public interest would be served by new national policies which recognize the need for a stronger government presence to countervail the power of multi-national firms," (Ibid: 345-6), the recommendation was virtually ignored by

the government of the day, and no concrete policy proposals were forthcoming.

Levitt's assessment of Canada as a "rich industrialized underdeveloped economy" was even more to the point as to the structural inequalities caused by its relationship to the US:

For Canada, freedom of action has been progressively restricted by a proliferation of commitments--both formal and informal--arising from bilateral arrangements with the government of the United States. In this manner the free market is being replaced by internal transfers within multinational corporations. Correspondingly, inter-governmental relationships resemble increasingly those of the old mercantilist systems...The instruments of public policy are constrained by umpteen commitments made in exchange for 'special favors'...Technological dependence is greater than ever and unequalled by any other industrialized country.

(1970: 118-19)

In regards to the maintenance of a separate Canadian economic and value system, Levitt questioned whether Canadians had "the will...to survive as a distinct national community on the North American continent", and that "there exists the possibility that the cultural integration into continental American life has proceeded to the point where Canada no longer is a meaningful national community" (Ibid: 149, 153).

Other responses to the government reports were swift in coming from both academia and nationalist economists, and were, for the most part, outraged at the extent of foreign

ownership in the Canadian economy (Lumsden, 1970; Rotstein and Lax, 1972; Teeple, 1972; Laxer, 1973). Many called on the Canadian government to implement some type of industrial strategy that would attempt to change the behaviour of the American branch plants operating in Canada, and/or the establishment of Crown corporations that could compete with the foreign firms. The continentalists on the other hand felt that there was nothing, or at least very little, to worry about. R.J. Wonnacott for example argued that any type of interventionist industrial strategy "would be counterproductive, lowering Canadian efficiency and income rather than increasing it" (1975: 546).

The nationalist/continentalist debate continued to underpin the political economy of foreign ownership discussions of the 1970s and 1980s, but other issues began to carry an equal weight of concern for most researchers. The two that are most important for the purposes of this thesis are the discussions surrounding the appropriateness of applying a dependency analysis to the Canada - US relationship; and the establishment of a Canadian political economy of communications, with a focus on media ownership, cultural sovereignty and class relations.

Borrowing from and adding to categorical schema utilized in various overviews of the contemporary Canadian political economy school (Drache and Clement, 1985; Marchak, 1985; Breadboard and Williams, 1989; Williams, 1989), the

last two decades has offered discussions surrounding dependency theory divided roughly into four themes: Canada as fully dependent, Canada as fully imperialistic, Canada as some type of mediating imperialist, and Canada as a "region within the centre" of the international economy (Williams, 1989: 130). The full dependency view of Canada in relation to imperial powers, leading from a particular reading of Innis and Mackintosh says that...

Underdevelopment was due not to entrepreneurial weakness, cultural deficiencies, or lack of aggregate demand, but to the combination of control of internal surplus by a national bourgeoisie unconcerned with national industrial development, and the market demands and constraints imposed by Britain, and, subsequently, the US.

(Marchak, 1985; 676)

Discussion within this group centred on the effects of the economic and political relationship between national capitals (Hutcheson, 1970, 1978); a Canadian dependent and underdeveloped capitalist industrial upper class (Naylor, 1972, 1975; Watkins, 1975); the triumph of a merchant and financial capitalist class practice of investing in relatively low-risk resource development over a more high-risk industrial class practice of investing in competitive manufacturing sectors of the Canadian economy (Clement, 1975, 1977; Langoon, 1973; Pentland, 1968); and an overall suffocation of Canada's economic potential and state formation capabilities, representing the "margin" or

"periphery" of development, by a "centre" core of British, then American, imperialistic behaviour (Drache, 1969, 1970, 1975, 1978; Laxer, J., 1973A, 1973B; Watkins, 1969, 1970).

What gave much power to this analytical position in the 1970s was the conceptual linking of Canada's dependent position, either in the past or present, to the historical underdevelopment of Third World countries vis-a-vis First World powers. Especially important in this literature was the linkages made with Latin American dependency theory which placed the blame for underdevelopment in factors such as resource exploitation by Western nations, the taking advantage of low-wage employment levels in the Third World countries, domestic "comprador" classes which co-operated with foreign capital, and the effects of Western military control of communication systems and its influence in domestic affairs (Amin, 1974; Dos Santos, 1971; Emmanuel, 1972; Jalee, 1970).

For example, Mel Watkins felt that...

...the way in which the Latin-American economists have developed this schema for purposes of studying Latin America probably generated more useful insights and more useful models than, certainly, those we have in Canada, with the exception of some of the things that Innis said.

(1969: 39)

Writing as recently as 1982, Daniel Drache continued to note that:

There is a striking similarity between Innis' theory of rigidities and Amin's theory of extroversion. Even though one must tread cautiously and avoid superficial comparisons between developed dependency and stark underdevelopment, Innis and Amin share a common perspective in their respective efforts to discover the dialectic of incomplete development and the complex means by which centre economies have been able to impose through intensive specialization a division of labour on periphery formations.

(1982: 49)

The problem with this reasoning is the ways in which the Canadian historical and contemporary experience contradicts many of the basic tenets necessary in order to appropriately apply a full dependency analysis. Many of the dissenting authors were attempting to demonstrate that many other social and economic factors came into play in Canadian development, or underdevelopment as the case may be, with a particular emphasis on the part that domestic factors and actors played in the historical construction of the Canadian nation. Authors such as William Carroll (1982, 1984) and R.J. Richardson (1982) felt that while Canadian and US capital had been continentally integrated, the distinctions between merchant and industrial classes were false and misleading as to the specific formation of Canada as solely a staple exporter. Others see much of the path that Canada took in regards to its economic, state and legal institutions as already having been established before the nineteenth century period of exploitation by the British and American capitalists (Curtis and Edginton, 1979).

The argument against an overreliance on solely a dependency analysis came to a head in a 1981 special issue of Studies In Political Economy (vol. 6 - Autumn edition) entitled Rethinking Canadian Political Economy. Here authors such as Leo Panitch, Ray Schmidt and David McNally argued against a staples-based dependency analysis of Canada, and turned their attention to the mix of internal and external factors impinging upon Canada within a world capitalist system, to a neo-Marxist analysis of both domestic and international class relations, and to regional differences resulting in uneven economic and state development in Canada.

The essence of the dependency problematic, according to Williams (1989), is a misreading of Innis' initial postulations and of dependency theory in general. Those writing from an Innisian-inspired dependency perspective believed in four major features of Canadian underdevelopment: Canada had been imposed upon by external powers without invite; Canada was a nation on the periphery of international industrial development without recourse to input on its destiny; Canada had been purposely industrially underdeveloped resulting in structural impotency and weak economic performance in non-staple industries; and that the Canadian federal government was, in effect, controlled by external forces.

Innis, as it will be remembered, never viewed imperialism as a one-way street: both, or all, nations involved in the process were affected, or would experience 'disturbances'. Further, Innis "placed Canada at the centre of the world economy" and, if anything, "set out a model of economic growth under structural constraints" (Ibid: 124-5). Lastly, Innis always felt that the Canadian government and its peoples had the freedom to choose a different path than the one that it has taken.

These debates over the applicability of dependency theory lead to the other three positions under consideration here. Those who see Canada as 'fully imperialist' look to the existence of a domestic highly developed and concentrated monopoly capitalism with a substantial branch-plant network of its own abroad; a slowly decreasing portion of the Canadian economy in foreign hands accompanied by an increased Canadian foreign investment in the Third World; and economic growth statistics that were favourable in relation to other highly-developed nations in order to view Canada as a "secondary imperialist power" (Moore and Wells, 1975: 92-3). Continuing with this line of thought, others argued that we "must begin to see Canada as a First World capitalism analogous to metropolitan capitalisms like the US, Western Europe or Japan" (Resnick, 1982: 22).

The intermediary school felt that Canada should be referred to variously as a "go-between nation" (Galtung,

1971; in Clement, 1977), a "sub-imperial power" (Draimin and Swift, 1975), a "dominion-capitalist country" (Ehrensaft and Armstrong, 1981), or a "semi-industrial...intermediate" nation (Niosi, 1983), along the lines of Argentina, Australia, Brazil, Israel or South Africa. Like these other countries, Canada was fully developed in some sectors of its economy but underdeveloped in others. However, unlike those countries, Canada's ties to a continentalist economy made its relationship to the remainder of the world different in terms of both reach and depth than for other developing nations. Wallace Clement summed up this school's position best when he concluded that:

Certain members of the Canadian economic elite....are integrated into the world order in two distinct ways: as go-betweens of foreign, predominantly United States, interests and through their own indigenously controlled corporations. Canada has a rather unique role as mediator of foreign-controlled capital, as holder of its own foreign investments, and as host to extensive foreign investment. Thus a framework differing somewhat from the one emerging from the dependency literature is needed for placing Canada in the world system.

(1977: 23-4)

The main difference between the mediating imperialist school and the practitioners of the final position, the region within the centre, is a matter of historical time frames. Canada's ascendancy to a position of power for the former group is a recent phenomena, while the latter feel that Canada has always been an "extension of the centre" of

global power (Williams, 1989: 130; cf, 1976, 1986). Throughout its history the exploitation of Canada has been of the privileged kind, with Canada being the beneficiary of higher wages, a large, close and inexpensive export market, and military protection from major wars and their destruction. Melissa Clark-Jones extends this analysis to contemporary developments, placing Canada as being part of a "continental resource capitalism" mode of production whereby the Canadian political economy can be seen "as a specialized, resource producing, adjunct to the American political economy" (1987: 211). Of great importance for my purposes here is Leo Panitch's position as an anti-dependency, region of the centre analyst, and the part that his analysis plays in leading us to a discussion of the place of communication and cultural industries in a political economy of Canada (1981). Panitch's focus here, in his article for the special issue of Studies In Political Economy, was on the effects of a historically shared labour market between Canada and the US, and the effects of a liberal democratic ideology on Canadian continental and international relations. Lastly, he felt that the Canadian state was not the place to look for the reasons which substantiated a maintenance of an "American imperialism within Canadian society". The source of the Canadian malaise was popular culture:

...which is produced and reproduced in advertising, the mass media and the mass education system. Just as it is by virtue of a cultural hegemony in civil society that bourgeois domination is made compatible with liberal democracy in advanced capitalist societies, so Canadian dependency remains compatible with liberal democracy by virtue of the penetration of civil society itself by American culture. (1981: 26-7)

Panitch was of course not the first to point out the effects of the overwhelming presence of American cultural products in Canada, but it is important that he named the problem specifically as popular culture. Defending a general Canadian culture or identity, and the maintenance of Canadian ownership of specific mass media, has been the concern of many Canadian authors, and many state reports and policies, since the original invasion of the Canadian airwaves by American radio broadcasts during the 1920s (see Chapter III). However, except for Innis' concerns in his 1930s and 1940s literature, the academic community in Canada had ignored issues surrounding the mass media and popular culture until the mid-1960s, specifically taken up in the 1965 publication of John Porter's Vertical Mosaic.

Within Porter's exhaustive study of social class, power and social mobility, building upon his earlier work on elite groups and their influence in Canadian society (1955), he gave special emphasis to the ownership and control of the Canadian mass media, specifically in regards to the newspaper, magazine, television and radio industries (1965: Chapter 15). Porter maintained that there was a significant

degree of concentration of ownership in those industries, and that there was also much cross-ownership both within the mass media and between other non-media sectors of the Canadian economy. Further, he identified many of those owners as being part of a "media elite", centred in long-established corporate entities controlled by traditionally wealthy Canadian families (for example, the Bassets, Eatons, Rogers, Siftons, Southams and Thompsons). Because of a pattern of corporate interlocks and ownership, Porter felt that the ideological system in Canada as expressed in the media contained a bias that was "conservative, supporting the status quo over a wide range of social and economic policy" (1965: 484).

It was not only direct interference in individual mass media outlets or chains that concerned Porter, but the effects on journalistic practice and broadcast content of having publishers and programming controllers who were owners and who were linked to other sectors of the Canadian economy. He agreed with an earlier survey of newspapers in Canada which said that...

...the publisher often acquires a point of view which is that of the business groups in a community rather than of other and perhaps opposed groups; and this point of view is more likely than not to be reflected in his papers' treatment of news. The publisher usually belongs to the same clubs, moves in the same social circles, and breathes the same atmosphere as other business men.

(McNaught, 1940: 20; in Porter, 1965: 483)

Porter concluded that...

it is not so much that owner-publishers inhabit a rarefied upper class world along with top business leaders, but rather that they have a class background from their early years which is identical to a very large group of business leaders...inheritance through kinship, rather than upward social mobility, is now the principal means of recruitment to that group which owns the major mass media instruments.

(Ibid: 483-4)

What is even more important for the establishment of a specific political economy of communications in Canada is why Porter felt that media ownership was an important feature of social control, and is worth quoting at length here:

The consensus which is necessary for the maintenance of social structure does not come about through some metaphysical entity of a group or social mind, or a general will. Rather, the unifying of value themes is achieved through the control of media of communication, and therefore the structure of the ideological system becomes articulated with other systems of power. The ideological system must provide the justification for the economic system, the political system, and so forth, and this it does by attempting to show that the existing arrangements conform with the traditional value system. But the ideological system in highly developed societies has become specialized in terms of both content and technology so that like other institutional systems it acquires some degree of autonomy from which it acquires a power of its own.

(Ibid: 460)

Porter's work proved to be an inspiration for many other surveys and reviews of the mass media in Canada over the next decade (for example Kesterton, 1967; Peers, 1969;

Singer, 1972; Hardin, 1974), and was a major contribution to the social climate which produced a significant number of government reports on Canadian publishing and broadcasting industries (for example, Canada, 1970A; Canada, 1970B). However, it was not until the publication of Wallace Clement's The Canadian Corporate Elite (1975) that the linkages between media ownership and other sectors of the Canadian economy were highlighted again in Canadian political economy research. It will be remembered that the foreign ownership and control of the resources, manufacturing and financial sectors of the Canadian economy had become the focus of Canadian political economy, while the mass media had been virtually ignored.

Clement's focus was first on how the economic or corporate elite were dominating the economic affairs of Canadian society, especially in their involvement in the concentration of ownership, whereby...

...decisions are still being made by a select few within the corporation and these decisions are based on their view of what the world is and should be. The corporate elite operate from their own social perspectives and backgrounds and monopolize key economic decisions.

(1975: 27)

Extending this into his second major concern, mass media ownership, he concluded from his research results "that about one half of those identified as the media elite are simultaneously members of the economic elite", while fully

two-thirds of the media elite "hold important corporate positions outside the media" (42, 326).

The two most important features of this arrangement for Clement was the ways in which the media elite, or "gatekeepers", affected the "management of the news" and opinion by making sure, as Porter had claimed, that their output was "biased in favour of the existing arrangements of power"; and how advertising, the lifeblood of most media operations, and especially those who paid for the advertising in media industries, effected the content of what was published or broadcast (341-3). Clement felt that it was a given that advertisers "set the limits of tolerance" that publishers and programmers must remain within, and that the medias' "profitable survival depends upon their relationships to major advertisers who are also the economic elite" (269, 342). In answer to the ultimate question of whether or not advertisers manipulated the media, Clement pointed to the answer that the Davey Report had given: "The point, of course, is that they do not have to; because broadly speaking the advertisers, their agencies, and the media owners are all the same kind of people, doing the same kind of thing, with the same kind of private-enterprise rationale" (Canada, 1970A: I, 244; in Ibid: 297).

While both Porter and Clement evidence an instrumentalist approach to communication studies, whereby

social institutions (i.e., economic, political or cultural) are seen to be the instruments of control of their owners or leaders for their own benefit at the expense, and without the input of, others (Magder, 1989: 284; cf Hackett, 1986), their work has nonetheless been extremely valuable for, among other reasons, demonstrating the overall importance of empirical research on media ownership, their emphasis on the interplay of media ownership and its role in the construction of ideology, and their insistence on the importance of advertising as not only the basis of revenue for the media but also as a mediating affect on media content.

This latter issue was forcefully taken up by Dallas Smythe (1977, 1981) and his contention that the ultimate activity that the media within capitalist societies were involved in was assembling audiences into a commodity that was sold to corporations via their advertising agencies. Although Smythe's position that this commodified audience process totally obliterated the importance of media content produced much debate (Murdock, 1978; Lebowitz, 1986), and it remains unclear whether or not this is exactly what Smythe meant, his work brought to Canadian political economy, and communications studies in general, the realization that this commodified audience process was a major function of the historical media structure that could no longer be overlooked in Canada, or elsewhere. Just as important,

Smythe was also the first of the Canadian political economists (although he is seen as somewhat of an "outsider" by the Canadian academic establishment because of the fact that for much of his career he worked in the US) to point towards the ways in which transnational corporations were well-advanced in the global process of merging the mass media with their other international operations, forming what he called "the Consciousness Industry" (Smythe, 1981: 5). The complex for Smythe consisted of all media pursuits, including the production and sale of recorded music, the leisure industries, including professional sports, the advertising industry, the information industries (i.e., international telecommunications operations and information technology producers) including military and government information sectors, and the international banking community. The links between these various endeavours were provided by incredibly huge and diverse international corporations which were increasingly escaping the moderating or mediating influence of national regulatory and legislative systems, or which were pressuring these systems towards a more favourable reregulation of domestic and international legal controls.

While the debates about the place of Canada in the world and continental economy, and the effects of foreign ownership in the Canadian economy continue to echo in the literature, political economy in Canada since the early

1980s has extended its areas of concern to include many issues. As evidenced in Clements and Williams recent survey, political economy in Canada in the 1980s began to deal with increasingly important discussions about feminism, racism, Canadian regionalism, labour relations, legal systems, state autonomy, media globalization and cultural practices (1989: 11-14). Unfortunately, work on the cultural industries in Canada, as the media industries began to be referred to in the 1980s, has not been extensive within Canadian political economy since Clement's and Smythe's communication studies.

Within the recently established political economy of communications, the five areas that have received the most attention are: the telecommunication industry and its regulation (Babe, 1990; Mosco, 1989, 1990a, 1990b); the regulation of cultural industries (Babe, 1979; Globerman, 1983); the Canadian news media (Black, 1982; Desbarats, 1990; Ericson, et al, 1987, 1989); the Canadian film industry (Magder, 1985, 1987; Pendakur, 1990); and the Canadian television industry (Collins, 1990; Hardin, 1985; Peers, 1979; Raboy, 1990).

Although particular features of these analyses, especially in regards to the emphasis they place on the affects of the internationalization of media and information systems over the past two decades, do carry much import for a political economy of the Canadian recording industry, the

CRI has remained as mostly an absent subject within the field. Other than two minor government briefing papers that were not available to the general public (Canada, Department of Communications, 1979; Woods, 1982), Paul Audley's Canada Cultural Industries (1983) was the first, and so far the only, attempt to offer a specific political economy of the Canadian recording industry within his analysis of the Canadian newspaper, periodical and book publishing, and radio, film and television industries. To my mind, it is a sad commentary on Canadian political economy of communications that Audley's book remains as the sole non-governmental comprehensive sector-wide reference work for cultural researchers and other concerned Canadian citizens.

Utilizing the available data from Statistics Canada, the Canadian Independent Record Production Association (CIRPA), and Billboard Magazine, Audley made clear the benefits and shortcomings of the structure of the CRI circa 1980. While the industry provided approximately 6,000 jobs for Canadians and 24 million dollars in revenue for Canadian artists and their record companies, this revenue figure represented only about 10% of total industry sales. Further, fully 90% of total industry revenue was derived from a combination of the importation of foreign master tapes (79%) and imported records and tapes (11%), with 95% of that revenue accruing to foreign owned branch plant recording companies (145, 166, 175).

Being the first to offer a clarified picture of how the recording industry operated in Canada, Audley unveiled much that was detrimental to the Canadian economy and, in particular, the independent Canadian-owned portion of the record industry. For example, he was the first to make public the bewildering oversight of the Canadian government as to its 15% Most Favoured Nation import tariff policy on foreign master tapes (158-160, 178-9). Revenue Canada had historically treated foreign master tapes as being equivalent to blank recording tape instead of copyright-protected musical performances with potential earnings in Canada for the importer, usually one of the major's branch plants, in the hundreds of thousands of dollars. This meant that except for the 9% federal sales tax levied at the point of purchase in the early 1980s, Canada was receiving approximately four dollars per master tape as it crossed the border. The total loss to the Canadian economy is inestimable over the century-long existence of the CRI.

The result of this practice was threefold. First, was the obvious loss of revenue for the Canadian tax coffers, monies which could possibly have been reinvested into the independent portion of the CRI. Second, it assisted in the creation of a situation similar to the Canadian television, book and magazine industries whereby American entertainment products were cheaper to reproduce or display in Canada than to invest in the production of domestic media products.

Third, in combination with other factors discussed in Chapter Two, this practice was partially responsible for the potentially double-barrelled devaluing of the pursuit of Canadian talent by the foreign subsidiary in Canada and/or creating a disincentive for the branch plant to provide promotional and tour support for Canadian artists.

Finally, although the Canadian Content regulations which required that total AM radio playlists contain at least 30% Canadian-sourced music had been in effect for a decade, Audley showed that Canadian recordings represented only 7% of total sales in Canada (149-50). Thus, he felt that the CRI was in dire straights and that the situation would not likely improve without a stronger comprehensive cultural protection policy, including financial assistance, from the federal government in much the same ways it had been assisting other cultural industries in Canada. Audley proposed that these regulations should at a minimum prevent foreign ownership from increasing its hold of the recording or record distributing industries in Canada. Financial assistance should come in the form of a capital loan assistance program which would enable independent Canadian recording companies to afford domestic master tape creation; tax breaks on the production of master tapes; and the formation of a publicly-funded recording arts council to assist Canadian performers.

Audley's study of the Canadian recording industry is generally recognized as having had a significant influence on the formation of the ensuing federal policy towards the CRI (see Chapter Three), and provided a boost to those within the independent portion of the CRI, and its member organization, CIRPA. However, although this organization has greatly assisted over the past fifteen years in the formation of more independent record companies than had existed previously in Canada, the increased numbers of independent companies has not resulted in a greater share of total industry profits, and its members must still face the reality of the popularity and profit expansion desires of its clients, which necessarily then results in engagement with the major's distribution and promotional systems. Similarly with government regulation of the CRI oligopoly, most legislation (Canadian Content Regulations, etc.) and incentive programs (FACTOR, etc.) set up with the intention of benefitting independent Canadian productions eventually come to overwhelmingly benefit the major players.

This struggle is best accounted for in the concept of hegemony as explained by Antonio Gramsci (1971), and the more contemporary practitioners of his thoughts (Gitlin, 1987, 1982; Hall, 1990, 1980). The foundational definition of hegemony will be a process in which...

An alliance of class fractions dominates subordinate classes and groups through the elaboration and penetration of ideology into their

common sense and everyday practice...Hegemony is the suffusing of the society by ideology that sustains the powerful groups' claims to their power by rendering their preeminence natural, justifiable and beneficent.

(Gitlin, 1982: 241)

This process, as it concerns the CRI (and many other popular cultural industries) demands an unequal collaboration or alliance between...

Powerful economic and political groups on the one hand, and cultural elites on the other: alliances whose terms must, in effect, be negotiated and, as social conditions and elited dispositions shift, renegotiated.

(Ibid)

Thus, describing the industrial situation as a "strong hegemony", I intend to demonstrate the existence of a very weak opposition to the present industrial structure, and the ways in which this opposition is both successfully and unsuccessfully carried out in the Canadian context; and to demonstrate the existence of a certain strain of Canadian governmental regulation and legislations that appears to attempt to redress the inequities within the CRI, but which ultimately serves to buttress the hegemonic structure of both the domestic and global industry.

It would also be valuable to account for the existence of a popular opinion that was in opposition to the present CRI structure. After three years of investigation into various aspects of the Canadian cultural industries I have been unable to discover even a general awareness of the

foreign-dominated nature of the CRI in public expression, no less an informed opposition to it. Thus, I am forced to include as part of my analysis this lack of popular oppositional expression, and leading from this, my debate will be with those who feel that "everything's cool" with the CRI: those who constitute, benefit from and/or comment upon its present structure, and who defend its form and practices as democratic, good for business or good for Canada.

However, as I take hegemony to be a process rather than a static arrangement, and hegemonic domination to be different from ideological domination, I am not about to describe the situation as it exists in the CRI to be hopelessly set in stone. An independent Canadian distribution system that would compete with the foreign-controlled organization could be set up with a combination of redirected government initiatives and independent private record company practices. Of course this would involve a transformational shift in both profit and expectation priorities for all those involved: musicians, managers, radio stations, producers, distributors, governments and consumers. With that newly established position of strength to negotiate from, Canadian subsidiaries of foreign firms would have to operate differently, resulting in a situation where a significant portion of profit outflows to other countries would be redirected to the CRI and its Canadian

members. I admit that this is an idealistic proposal considering the current lack of either popular or political will necessary in order to bring about this transformation; but I also believe that attitudes and goals change with the addition of new information and knowledge, and that leaves this prescription within the realm of the possible.

Methodology

My research program will include both quantitative and qualitative elements. Obtaining reliable statistical economic data about the Canadian recording industry is a difficult and time-consuming task, due predominantly to the lack of an on-going, fully comprehensive, systematic data base. Thus, the statistical information I will provide in my thesis will be assembled from a variety of sources. Statistics Canada does offer an annual report concerning the CRI (Sound Recording 87-202) supplemented by a more generally-concerned cultural industries monthly magazine (Focus on Culture 87-004). However, significant gaps exist within those StatsCan sources due to their reliance on surveys completed by CRI companies on a voluntary basis.

In order to fill those gaps, especially concerning individual Canadian subsidiaries and their transnational corporate parents, I will be relying on data gathered from three main types of sources: 1) Other federal and provincial government departments and their various

statistical publications. For example, various reports from the federal Department of Communications, the CRTC, the Department of Industry, Mines and Resources, and the Department of Consumer Affairs provide ownership, manufacturing, import and export figures; 2) Various trade publications, including both union (i.e., Musician's Union - Canada Newsletter, American Musician's Federation - Canada, etc.), industry (i.e., the Canadian Recording Industry Association bulletins, the Canadian Independent Record Producers Association's various publications, the Record music business newspaper, the Canadian Association of Broadcasters' various publications, the Bureau of Broadcast Measurement bulletins, the Canadian Media Directors' Council Media Digests, annual company reports, etc.), and musician and consumer perspectives (i.e., the Society of Composers, Authors and Music Publishers of Canada, the Canadian Musical Reproduction Rights Agency, the Canadian Musician magazine, etc.); 3) Personal interviews with, and other fact-gathering missions to, both major and minor recording companies and "players" within the CRI. These face-to-face and/or telephone interviews have been carried out within strict confidentiality guidelines in regards to both my upfront statement of purpose for the interviews and the permission of the interviewees to use their statements, either anonymously or credited, in my thesis. These interviews have proved invaluable for filling in not only the

quantitative information but also those more qualitative elements necessary in order to construct and analyze more completely the "big picture" of the CRI.

Concerning those more qualitative aspects, there have been only a few attempts to describe and/or analyze the CRI. Although each of these works is lacking key elements necessary to construct a political economy of the CRI, taken together they do offer many clues to the day-to-day, and more long-term, operations of the industry. These works are indicated in the Canadian Recording Industry section of the accompanying bibliography by an asterisk next to their listing.

CHAPTER TWO: A History of the Canadian Recording in a Global Context

The fundamental pattern of record company ownership since the inception of recording technology in the late 1870s, and which has been reflected in the Canadian recording industry, is one of ever-increasing affiliation with other recording companies, media corporations, and communications hardware or software conglomerates. These affiliations have taken the form of either domestic or international distribution and lease agreements, and/or mergers with or acquisitions of entire companies. This affiliation curve begins with individual ownership and control of record companies in the industry's first two decades, with most firms involved in the manufacture of both records and recording/playback equipment; moving to affiliations between record companies in different countries from around the turn of the century to the Great Depression. These developments were followed by affiliations between record companies and burgeoning broadcast corporations during the 1930s, and the continuation of larger recording and other media corporations purchasing smaller record companies in the 1950s and 1960s. For the last two decades these affiliations have been established between record

companies and either very large multinational media or communication hardware conglomerates, whereby record labels are kept intact in order to maintain their domestic "image" in the industry while being wholly owned and controlled by transnational conglomerates.

The list of other important factors that have acted upon this affiliation curve would include the domestic and international political arena that record companies must operate within; reactions to expanding and contracting economic situations within global capitalism; technological innovation and diffusion in the manufacturing, recording, and consumption spheres of the industry; changes in mass and non-mass consumer musical taste cultures; an intensification and internationalization of musical styles, combined with concurrently developing and non-democratic formations of global media conglomerates; and finally, a particular tendency within all these features and activities to repeat what others are doing. However, it should be noted that some of the most interesting events and trends in the global recording industry have taken place when this latter tendency breaks down.

Because of the nature of the affiliation curve and its features described above, I will be situating the history of the Canadian recording industry within the context of the history of the global recording industry, with a specific focus on the development of the United States recording

industry, necessary because of its leading role in the global arena. Also leading from the affiliation curve, my history of the recording industry will be separated into four specific time frames (i.e., Inception - 1878 to 1928, 1929 to 1950, 1951 to 1970 and 1971 to the Present). It should also be noted that what follows is not an inexhaustibly comprehensive history of the recording industry, but one that contains the salient features and major companies that are important for an understanding of the development of the CRI. For example, at any one time throughout the history of the recording industry, the major companies represent only 5 to 20% of the total amount of existing record companies, while capturing anywhere from 50 to 90% of total sales of equipment and discs or cylinders.

Before approaching the genesis of the recording industry however, I feel it would be instructive to take a brief look at the state of music in Canada as it existed prior to the invention and diffusion of recording technologies. Music in Canada during the nineteenth century can be divided into two broad categories: classical or "serious" music, and folk or popular music. Although split into this analytical high/low culture dichotomy, music in Canada was generally appreciated in these pioneering times anywhere and anytime by anyone fortunate enough to have access to it. It is incredible to read about some of the lengths that people went to in order to have music

performance as an option for leisure activity, including carrying pianos across the Rockies and transporting huge piano organs by way of thousand-mile canoe voyages (M^CCook, 1958: 22-3).

More importantly for the future of the CRI is the patterns that were established prior to the nascent recording era in the context of national development. First and foremost is the fact that both types of music naturally took their original inspirations from the European homelands of the great majority of immigrants into Canada. As folk music developed it began to take on more of a specific Canadian flavour with lyrical content beginning to reflect the experiences of exploration and settlement. Serious music performance and composition on the other hand remained firmly sourced in the European experience. Further, whereas folk music was an inherently more mobile informal phenomenon, serious music was performed in a more formal setting, first in the major cities of Montreal and Toronto, later expanding into smaller communities, in concert halls where the music could be performed and consumed with the dignity traditionally associated with it as a bourgeois musical form and which came with the promise of financial remuneration.

If we can speak of a music industry during the nineteenth century in Canada, it was centered in the provision of musical instruments and sheet music publishing,

mostly intended for serious music purposes, and both of which were almost entirely composed of imported artifacts. Musical instrument importation into Canada during the 1870s for example reached a value of almost \$900,000 while domestic production was valued at less than \$50,000. The ratio of imports to indigenous manufacture remained at better than ten to one throughout the nineteenth century until the late 1880s, when Canadian pianos began to be seen as being equal or superior in quality to European and American made instruments. Music publishing exhibited a similar pattern, with an average yearly import value in the latter half of the century of \$50,000, compared to an almost non-existent domestic production level (Ford, 1982: 58-62, 106).

Even within this cursory review then we see the trends which will continue to have an impact on a Canadian recording industry as it begins to develop at the turn of the century. Montreal and Toronto are the established music centers in Canada, possessing the majority of musicians and musical instrument or sheet music importers. Reflecting the general manufacturing sector in Canada at the time, import distribution agreements for instrument provision, and the leasing of publication rights (even though formal copyrights of music did not exist till the end of the century) from foreign companies, are firmly entrenched as a profitable way of supplying Canadian musical needs.

By the 1870s Europe is the source of most serious music publication, while the US predominates as a source of folk and popular music; and if there is a "star-system" in Canada at that time, it is populated by performers from those countries. Further, and reflective of my discussion in chapter four, performing musicians in Canada were not limited by national boundaries in their attempts to make a living from music: "the (Canada-US) border, for many musicians, remained only a theoretical boundary. Many of them lived and worked in both countries at different times in their lives" (Ford, 69-70; cf 57-8). Not only do these patterns set the scene for the emergence of a Canadian recording industry, but as we shall see they continue to effect the structure and behaviour of the CRI throughout its history.

Inception - 1878 to 1928

Although the idea of being able to reproduce the sound of the human voice or music had been discussed in Europe, America and Canada since the 1850s, the first registered patent of a recording technology belongs to Thomas Edison on February 19, 1878. Edison wasted no time in publicizing his accomplishment in the US, and it was even demonstrated in Canada on May 17 of that year at the Governor General's residence in Ottawa. He also wasted little time in registering his invention in Canada, receiving a Canadian patent on October 19, 1878. The recording and playback

machine manufactured by the Edison Speaking Phonograph Company, established in January 1878, was a crude mechanical apparatus that transferred sound vibrations onto a tin foil covered hard-cardboard cylinder via a needle-like stylus. Because of its poor sound reproducing capabilities it was seen as mostly a novelty item. After producing approximately 500 machines, the company went out of business later in 1878, while Edison turned his attention to the creation of the incandescent bulb (Moogk, 1975: 5-7; Gelatt, 1977: 24-32).

Two years later, Alexander Graham Bell, with his cousin Chichester and Charles S. Tainter, began to experiment with various ways of improving upon Edison's tin foil cylinder. At first they considered some type of flat disc device, but due to technical difficulties settled on a hard-wax covered cylinder that was not drastically different than Edison's previous technology, except for where it counted: sound quality. They called their machine a graphophone, and it was patented in both the US and Canada in 1885. In 1887 they formed the American Graphophone Company to handle the manufacturing and sales of the "new" invention, which sold for a retail price of \$150. (Gelatt, *ibid*: 35, 44; cf Moogk, *ibid*: 9-10).

The so-called Bell-Tainter machine perfected Edison's earlier machine, which the Bells and Tainter fully admitted. Edison however thought his idea had been stolen, refused an

approach by the American Graphophone group to share patents, or research and manufacturing facilities, and proceeded to "invent" a wax-cylinder model of his own (Edison's Improved Phonograph) in early 1888, which was in essence a perfecting of the Bell-Tainter machine. Over the next few months both companies would repeatedly threaten each other with litigation over patent infringements. These disagreements however were never brought before the courts due to the purchase of both sets of patents by Jesse H. Lippincott, who formed the North American Phonograph Company in late 1888. (This arrangement however left the manufacturing rights in the hands of the two separate companies, a distinction that will become important shortly.) Due to ill health Lippincott forfeited the company back to its major creditor, Edison, in 1891, leaving Edison with the first major company in the recording business. Due to Edison's desire to reorganize the company so that he could improve and control profits, and make further refinements to the machinery, he put the company into receivership in late 1894 (thus freeing the American Graphophone Company from its contractual agreements) reopening in January, 1886 as the National Phonograph Company (Gelatt, *ibid*: 41-4, 56, 70; Moogk, *ibid*: 12).

The record business at this time (mid-1880s - mid-1890s) was in its infancy, and it would be difficult to envision more primitive versions of our contemporary

designations of hardware and software, but that is exactly what Edison and Bell-Tainter had created. The machines were unreliable, expensive, and either hand-cranked or powered by fairly large and very acrid direct current batteries; while the cylinders would only last through a few plays before becoming unintelligible. Demand for both machines and cylinders was not yet fully established, and the business was mostly built on the potential of future sales, with profits coming from selling distribution and retail rights. One of the most successful of the thirty regional distributors that Lippincott had set up before Edison had taken over was the Columbia Phonograph Company in Washington, D.C. Their success was sourced in selling phonographs to government offices as an early incarnation of dictating machines. In late 1894 they merged with the recently unencumbered American Graphophone Company, moved their headquarters to New York City, and became the second major recording company in the US. Taking advantage of Edison's temporary absence from the business, they remained the most successful major in the world until Edison reclaimed the title around 1900 (Ibid).

By the late 1890s the majors and a whole host of smaller record labels had figured out that the major appeal of phonographs and cylinders was not in commercial applications but in providing entertainment, mostly in the areas of classical, popular balladry, and military marching

band musics. Further, the economies of scale were beginning to have their effect with the price of machines and cylinders falling drastically. Cylinders went from around five dollars apiece in the mid-1880s to a dollar and up by the end of the 1890s. Columbia's cheapest machines went from a high of \$150. in 1892, to \$50. in 1895, to \$10. (the Eagle model) in 1897. Edison's phonographs were \$140. in 1893, and by 1899 could be purchased for as low as \$7.50 (the Gem model) (Gelatt, *ibid*: 70-1). However, possessing large economies of scale was not the only factor causing prices to fall, in that a new competitor had arrived on the scene with different ideas concerning recording technology and how the business should be organized. This brings us to the genesis of the Canadian recording industry.

By the time Emile Berliner began working on his new recording technology, the gramophone, he had made a small fortune selling his loose contact transmitter to the US Bell Telephone Company, while maintaining global patent rights, and manufacturing and wholesaling his own line of telephones in Germany (Telephon-Fabrick Berliner - est. 1881). His sound recording machine was unique in that the system involved a latterly-cut 5" hard rubber disc as its medium. Although he patented his invention in the US in 1887, he spent the next six years refining his invention before he formed the Berliner Gram-O-Phone Company (BGC-US) in 1893. In short order Berliner had opened foreign subsidiaries in

Britain (1897), Germany (1898) and Canada (1897). Besides being a better sounding, more durable, and cheaper (.50 a disc) medium, Berliner's discs could be manufactured by using a stamping template, or "matrice" disc, which was a far easier and cheaper way of making copies than the tedious repetition of performances necessary in the cylinder recording/manufacturing process (one performance = four cylinders). Further, Berliner's gramophone sold for \$10 and up, all of which added up to Berliner quickly becoming the third major in the US recording industry, and the first to establish a presence in Canada (Moogk, *ibid*: 13-14; cf Gelatt, *ibid*: 58-69). However, at least in the US, Berliner's preeminence was short-lived.

In 1898, due to a bewildering array of litigations initiated by Columbia against his disc system, Berliner sold his US patent rights to Eldridge Johnson. In 1895 Johnson had invented and patented the "super-quiet" spring-loaded motor that Berliner adopted for his gramophones, and had manufactured entire machines on occasion for BGC-US out of his Camden, New Jersey factory. From 1898 to 1900 Johnson continued to manufacture under the Berliner name in the US, and in effect all of Berliner's international subsidiaries were co-ventures with Johnson, supplying machine parts and motors which were then assembled in the various foreign factories. Having reinvented Berliner's system over these two years back in the US, Johnson then began manufacturing

and recording under the Victor Talking Machine Company in January of 1901. Far from cutting Berliner out of the picture however, and due to his ownership of the basic patents, Berliner not only received 40% of Victor's stock in the US, but from this date onward, Victor became the main supplier of US matrices to all of Berliner's foreign companies including his Canadian headquarters. Within a year Johnson had created a US distribution system consisting of over 10,000 dealers, and over the next decade the Victrola phonograph (based on a mixture of Berliner and Johnson patents) would become the generic name for all disc machines (Gelatt, *ibid*: 83-99, 130-3; cf Moogk, *ibid*: 20; Sobel, 1986: 82).

Thus by the early 1900s the "big three" major recording companies had been established. They would almost completely dominate the US and global industry for the next thirty years (Edison, Columbia and Victor), with Berliner maintaining a strong international presence and serving as Victor's global proxy. All four of these companies worked in a similar fashion in their respective home countries. The US big three manufactured at central plants in New York or New Jersey, with Berliner doing so in Montreal. Distribution was accomplished mostly through regional centers to independent music stores which carried various brand names along with sheet music and musical instruments, with very few exclusive brand name dealerships existing at

that time. Also by the early 1900s, all four companies had established themselves internationally. Edison had signed distribution deals with agents in London in 1888 and Berlin in 1889, consolidating his European operations in the Edison-Bell Company in London in 1892. Columbia had set up a European wholesale network through its wholly-owned importer in Paris in 1897, with the Victor-Berliner company's international expansion described above. In Canada, Edison had established a distribution center out of Ottawa with the Holland Brothers in the mid-1890s, switching in 1900 to the Toronto firm of R.S. Williams and Sons, a music publishing company begun in 1849. Columbia set up a wholly-owned subsidiary in Toronto, with offices in Hamilton and Brantford, Ontario in 1904 (Moogk, *ibid*: 31; Gelatt, *ibid*: 102; Miller, 1981: 170).

Berliner was the first company to record in Canada. In 1904, the same year that Emile and his sons, Herbert and Edgar, incorporated the company under the name Berliner Gramophone Company of Canada, Ltd. (BGCC), they opened the first recording "laboratory" in Canada in Montreal. Not only did Berliner actually record some Canadian artists, but BGCC had three Canadian citizens on its five member board of directors. Berliner was far from a Canadian nationalist however. At least 90% of the company's discography (as listed in Moogk's discography, 1975: 159-372) is sourced in foreign matrices, with about 70% of these being from the US

and the remainder being matrices from Berliner's affiliated subsidiaries in England, France and Germany. At least half of the company's Canadian artist releases are also sourced in US Victor matrices. Thus, although BGCC did wholly manufacture its recording/playback machinery in Canada, the majority of its disc releases and the citizenship of its majority owners were foreign. Further, considering the fact that a good deal of Berliner's profits flowed to Johnson/Victor in the US in order to pay for leased matrices and patent rights, with an equal if not larger amount of money flowing into Berliner's pockets due to his stake in Victor and their utilizing his patents, it would be very difficult to picture BGCC as the first truly Canadian recording company although all authors claim this to be the case.

BGCC did begin to record more Canadians as the decade wore on, but once again Berliner was not exhibiting a nationalist altruism. First, he wanted to lock up the French-Canadian market by maintaining a roster of French-Canadian musicians and vocalists. Second, he eventually wanted to lessen his dependence on the Victor matrices by having American artists come to Montreal to record. Lastly, he wanted to avoid the three to five percent border tariff in order to undercut his competitor's prices. By the middle of the 1910s Berliner was to have accomplished these goals.

Although Edison and Columbia also carried some Canadian performer's music on their rosters, recorded in the US, the characteristics of the Canadian star system remained the same into the recording era. Serious music, mostly from Europe, and popular music mostly from the US, were by far and away the best selling items in Canada by a nine to one ratio. Even though total Canadian record and machine sales figures do not exist for this early phase of the CRI, we can get some idea of the shape of the industry by way of import/export figures. During the period of 1900-1914, the import/export ratio held steady at twenty to one for both machines and recorded products. During World War I the ratio jumps to thirty to one, with imports rising from a value of one to three million dollars by the end of the war, even with the disincentive of increased duties and a war tax totalling seven and one-half percent (Ford, 1982: 106-7; cf, Moogk, *ibid*: 53, 59, 75).

The war years also brought with them a tremendous increase in new phonograph machinery manufacturers in both the US and Canada. New companies in the US numbered over eighty, while Canada alone had thirty-eight new establishments during the 1914-1919 period. Seventeen of these firms banded together to form the Canadian Phonograph Manufacturer's Association in 1919, with membership totals of about 35 owners and executives, none of whom were Canadian. The main reasons that these firms began to

develop was the termination of most of the original machine and cylinder/disc patents held by either the big three in the US or Berliner in Canada; and the space that was opened up by increased tariffs during the war. Twenty of the companies in Canada simply imported foreign-made equipment, and three were US branch plant factories, while eight of these firms which manufactured their own Canadian brand name phonographs contained foreign machinery inside. Only five of the thirty-eight new companies manufactured all their components in Canada, and only one of these was not reliant on foreign design patents making a completely Canadian invention. It is instructive to note that this organization, the Canadian Vitaphone Company of Toronto, widely acknowledged at that time as a significant technical advancement utilizing the first tension spring-controlled tone arm, only managed to stay in business for three years, 1913-16, collapsing due to a lack of sufficient capitalization; a situation that continues to plague the CRI throughout its history. (cf Moogk, *ibid*: 53-56, 75-6; Gelatt, *ibid*: 190; Ford, *ibid*: 109). Most of these companies did not survive into the 1920s, with none of them, including their trade association, surviving intact beyond the genesis of the Great Depression.

Also during this period approximately 40 US and 11 Canadian new record labels were established. Most suffered a similar fate as the manufacturing companies, with only one

surviving beyond 1929 in the US, Brunswick, and one in Canada, Apex, which belonged to the Compo Company. The only reason that this firm and its label survived was its ties to BGCC, and that it was begun by a very experienced hand in the business, Emile's son, Herbert. Originally initiated in 1918 as another defence against encroaching competing labels, the Compo Company of Lachine, Quebec, became fully independent of BGCC in April of 1921 due to familial disagreements. Before the split Compo had manufactured records for labels competing against BGCC (for example, Phonola, Starr-Gennett, and twenty other domestic and imported labels), and after the split retained this business while adding the Apex line as its signature brand name. Over the next three years Compo would attain major status in Canada, and after the 1924 purchase of BGCC by US-based Victor would become the only Canadian-based, Canadian-owned major (Herbert Berliner had become a Canadian citizen in 1916) (Moogk, *ibid*: 89-91; cf. Ford, *ibid*: 108-110; Gilmore, 1988: 38-40,).

The first two technological innovations which were to have a profound impact on the recording industry in the 1920s were in electrical recording. The invention of the electric microphone and recording equipment for use in what were becoming known as recording studios was made in 1919 by co-inventors George Guest and Hamilton-native Horace Merriman in London, England. The new recording system

allowed for a much easier recording of large bands and orchestras, while providing an immeasurable improvement in sound quality. AT & T's Bell Laboratories in the US quickly bought these patents in 1920, but they had little success with selling the system till the mid-1920s because of the reluctance of Victor and Columbia in the US to making their huge stockpiles of acoustically recorded discs obsolete (Moogk, *ibid*: 105). Further, due to AT & T's policy of only allowing the international rights to the electric recording process to be assigned to affiliates of American companies, Columbia UK purchased a controlling interest in the US Columbia operations in 1922 in order to establish a patent monopoly in Europe (Gelatt, *ibid*: 225-6). Meanwhile an even more important technical development, the invention and proliferation of radio, would have an even greater effect on the North American recording industry.

Wireless telegraphy, as it was known over the first two decades of the twentieth century, was invented by Guglielmo Marconi in England in 1895, with his first trans-oceanic demonstration taking place between St. John's, Newfoundland and Cornwall, England in 1901. By 1912 the British Marconi Wireless Company had established branches in ten countries including the US and Canada, and held a virtual worldwide monopoly on commercial radio. However, during World War I the US Marconi branch was "temporarily" nationalized by the US Navy for "security" reasons. In order to keep the

company in US hands and, at the instigation of the US military, in 1919 a patent and stock partnership between General Electric, American Telephone and Telegraph, and the United Fruit Company (joined in 1921 by Westinghouse) was formed as the Radio Corporation of America (RCA). This would make American radio an American monopoly (Schiffer, 1991: 30). As we shall see both RCA and its major competitor, the Columbia Broadcasting Corporation (CBS), would come to play a major role in the global recording industry.

The first commercial radio station in Canada began broadcasting in late 1919 (XWA Montreal, later CFCF operated by the Canadian Marconi Wireless Company), while the first commercial station in the US was KDKA Pittsburgh in September of 1920. By March of 1923 there were over 500 radio stations in the US and approximately 40 in Canada (Peers, 1969: 6; Allard, 1979: 1). By the end of the 1920s the superior numbers and output wattage of US stations as compared to Canadian stations, the amount of Canadian stations belonging to the US networks (over 30%), and the content of Canadian stations representing well over 50% of American material would precipitate the crisis which would eventually lead to the formation of public broadcasting and regulation in Canada (Ford, *ibid*: 113; cf McNeil and Wolfe, 1982: 68).

The ever-increasing popularity of radio was a devastating blow to the North American recording industry.

The logic of most music consumers was why pay for what they could receive over the airwaves free of charge (beyond the cost of the machine and batteries, and later in the 1920s, electricity). Further, the recessionary nature of the North American economy in the early 1920s caused consumers to spend their entertainment dollars very selectively, which led to a serious overproduction of records reflective of the general capacity problem in North American capitalism at that time. The sale of phonographs in North America plummeted from 2.2 million machines in 1919 to less than 500,000 in 1923, with record sales tumbling from 140 million to 92 million, while the total value of recorded and machine sales fell from \$59 million in 1921 to less than \$24 million in 1925 (Moogk, *ibid*: 94, 104; Gelatt, *ibid*: 213; Gronow, 1989: 118). In Canada phonograph imports fell from an approximate 1920 value of \$3 million to \$250,000 by 1926, while radio imports rose to \$3 million in 1926, totalling over \$10 million a year by 1930 (Ford, *ibid*: 105).

Although both Victor and Columbia for a time forbade their musical artists under contract from appearing on the air, Emile Berliner in Canada looked to radio as an important record promotional vehicle, and secured an hour broadcast on Tuesday evenings on XWA in 1920 entitled "His Master's Voice Victrola Concerts" (Gilmore, *ibid*: 41). However Berliner's idea of playing records on radio to sell records was not to take a major hold in radio until later in

the century for a combination of reasons: the poor sound quality of most records, the preference for live programming as the best demonstration of radio's unique characteristics, and the initial advantage of not having to invest in stock record libraries while using unpaid live artists. Station owners believed that airplay was sufficient compensation for performers. Radio stations/networks did not begin paying live performers until the late 1920s, with the publicly-owned CNR radio network the first to do so in Canada in 1926. It was out of this confrontation between artists and radio station owners that the Canadian Performing Rights Society (CPRS) was established in 1925, with radio station owners' interests represented by the Canadian Association of Broadcasters (CAB) set up in 1926 (Ford, *ibid*: 112-3).

Radio's effect on phonograph and disc/cylinder sales contributed to a major shakeout in the industry, with many small and medium-sized record companies closing their doors in the early to mid-1920s. The major casualty of "the radio craze" was the Columbia Graphophone Company in the US in the Fall of 1923. Columbia UK, owner of the US firm, put the company into temporary receivership, reopening it as the Columbia Phonograph Company in early 1924. The new company immediately sold off all of its international holdings, including their Canadian organization which came with a manufacturing facility established in Toronto in 1912. A major condition of these sales, however, was the maintenance

of international exclusivity for matrice leasing agreements. For other companies in Canada it was an opportunity to add new product to their distribution stream. For example, R.S. Williams added Westinghouse radios to its line of Edison products. It was also an opportunity to combine the two audio technologies, such as the US-based Brunswick-Balke-Collender Company's branch plant production of Phonograph Radiolas in 1924 with the radios supplied by RCA (Moogk, *ibid*: 95, 101; Miller, 1981: 170). Not unlike the phonograph manufacturing business in Canada, all radio or radio/phonograph manufacturing in Canada since its inception has been an internationally concerned pursuit, either completely or partially based on foreign designs, while consisting of at least a modicum of foreign parts (cf Mirow and Maurer, 1982: 36-64).

As the economic and social atmosphere of the "Roaring Twenties" took hold, the recording industry began to bounce back in the mid-1920s, at least for the major companies. For example, US sales of phonographs rose to one million units in 1927, while record sales rose to 104 million discs/cylinders (Gelatt, 1977: 255). Canadian imports of phonographs and records took a little longer to recover, with the 1928 total value reaching \$1 million after having bottomed out in 1927 at around \$250,000 (Ford, 1982: 105). Besides the general upturn in the North American economy, at least part of this upsurge can be accounted for by the

aforementioned slowly-emerging switch to electrical recording, the products of which simply did not sound as good on the old acoustic hand-cranked machines. For the recording industry this is the first industry induced, "consumer driven" technological change in consumer behaviour. Further, as the promotional possibilities of radio began to be realized, a dance craze began to sweep the continent (eg. the fox-trot, turkey-trot, etc.) and white "cover recordings" of the beginnings of the jazz age became more popular.

Victor was so flush, owing to it capturing a three-quarter share of record sales in the US even at the depths of the downturn in the 1920s, that Johnson decided to purchase BGCC in 1924 renaming it the Victor Talking Machine Company of Canada (Victor Canada). All production in the Montreal plant was switched to manufacturing Victrolas, Victrola Radiolas and the various Victor labels; and except for keeping Edgar Berliner as president, the remainder of the board of directors in Canada were replaced by members of the US Victor board. Although the Berliner brand name disappeared from the Canadian scene, the family presence was still felt as Herbert's Compo Company became the only Canadian major label competing with the US-based branch plant system. However, similar to BGCC the majority of Compo's record sales and revenues were sourced in the twenty or so US labels with which it had matrice leasing

agreements. Further, Herbert was not content with operating solely in Canada, and in 1923 was the first Canadian recording company to open a subsidiary label in the US, Ajax records in New York city. Opened in order to capture part of the newly established "race records" market, which at that time was being serviced by only two minor record labels in the US, Okeh and Gennett, it failed in 1925. Nevertheless, this was a truly international arrangement inasmuch as Compo recorded the music in NYC, pressed the records in Montreal, and distributed them back to the US through New York and Chicago offices. (Ajax records were not distributed in Canada because of the belief "that they would have little appeal to Canadians" - Moogk, 1975: 104) (cf Moogk, *ibid*: 97-8; Ford, *ibid*: 108-10; Gilmore, *ibid*: 38-9).

Another important cross-border move at this time was the naming of the first record executive of a US subsidiary in Canada to an executive post in the US headquarters company. W.E. Stevenson, vice-president of the Starr Piano Company in Canada, was named vice-president of the home corporation in Richmond, Indiana in 1925 (Moogk, *ibid*: 108).

By 1929, the big three major companies in both the US and Canada were Victor, Columbia and Edison, with Compo in Canada holding its own. In Europe the situation was much the same. Columbia in Britain had bought out its major competitors on the continent, the German Lindstrom Recording

Company in 1925, and its second biggest competitor in 1928, the French Pathe Freres. This left more than half of the European market for both phonographs and records in the hands of Victor and Columbia. Back in Canada, both Victor and Compo had plans for factory expansions, and other record executives predicted a "gigantic industrial boom" and implored their dealers to "swing in...to 1929 for their share of the biggest and most profitable record sales in phonograph history" (Moogk, 1975: 119).

1929 - 1950

The RCA corporation in the US was also feeling optimistic at the end of the 1920s. They accounted for over 20% of the approximate three-quarter of a billion dollar radio sales in 1928. The two networks that RCA's David Sarnoff had formed in 1926 under the banner of the National Broadcasting Corporation (NBC), partially owned by GE and Westinghouse, were attracting an estimated daily audience of 40 million people, with one hour sponsorships selling for \$3,350. (Sobel, 1986: 84; Schiffer, 1991: 92, 98-99). Having already moved into the film business, with a 20% stake in Radio-Keith-Orpheum (RKO), RCA was looking to complete its entertainment holdings by adding sound recording to its repertoire. The Victor Talking Machine Company was its chosen vehicle.

Victor was no stranger to those involved in RCA. Western Electric, owned by AT & T, had even considered

selling its patent rights to electrical recording to Victor in the mid-1920s; while in 1925 GE, RCA and Victor had signed a five-year co-venture agreement resulting in the production of various models of combination radio/phonographs including the Orthophonic Victrola based on the AT & T patents. In January of 1929 RCA bought Victor, including its operations in Canada, for around \$157 million. Thus, RCA became the first media conglomerate in the world with what looked like in early 1929 a very promising future (Sobel, *ibid*: 82-6). This purchase also foreshadows what the entire international recording industry would look like in the early 1990s: most labels owned by very large hardware manufacturing and/or entertainment conglomerates with immense revenues and cash reserves which could make up for any temporary losses in any one of their media divisions.

In Europe, Victor and Columbia were also looking forward to many profitable years due to their majority control of the market, while a new major-to-be was being established in early 1929, Decca Records of London, England. Decca was another phonograph manufacturing company, established in 1916, and their idea was to challenge the majors with a half-priced line of classical records (Moogk, *ibid*: 118; Gelatt, *ibid*: 262).

Black Thursday, October 24, 1929 changed the outlook for the entire international recording industry, as it did

for all global economic activity in the 1930s. By 1932 North American record sales had fallen to six million units and phonograph production fell to approximately 40,000 machines, while European sales suffered a similar 90% reduction (Gelatt, *ibid*: 255, 258). However, many economists and corporations at first thought the crash of 1929 was a temporary business downturn. For example, bolstered by its movie profits from the newly-introduced "talkies", Warner Brothers made its initial foray into the recording industry by purchasing the Brunswick-Balke-Collender Company in December of 1930 for the purposes of having an outlet for its more famous singing movie stars. As the depths of the Depression took hold, Warner's optimism dwindled, and one year later they sold Brunswick to the American Recording Company, a manufacturer of cut-rate records sold by Woolworth's and other retail chain stores (*Ibid*: 230, 255).

RCA downplayed reduced phonograph and record sales by redirecting their efforts towards radio manufacture and increasing their radio station holdings throughout the early 1930s. Edison had much the same response, focussing on radio production, while getting out of the recording business altogether in November of 1929, a development foretold by his refusal to switch from cylinder to disc technology. Columbia UK sold Columbia US to the Grigsby-Grunow Company in December of 1931, manufacturers of

Majestic radios and appliances. Grigsby-Grunow eventually went out of business in 1934, with the American Record Company purchasing their record division for the lowly sum of \$70,500., an indication of how far the fortunes of the recording industry had fallen. The only new company established in the US in the early 1930s was the Decca US branch which opened in New York City in 1932. Selling its records for around 50% of the major's price would allow Decca over the next twenty years to establish itself as one of the major companies in North America (Moogk, *ibid*: 111, 118; Gelatt, *ibid*: 248 50, 262-3).

Although the recording industry in Europe was not as adversely effected by the Depression, mostly due to the lack of competition from either large-scale radio networks and radio manufacturers, the majors' profits were tumbling. Victor and Columbia's combined year-end profits for 1931 were only \$322,000., compared to over \$3 million the year before. In March of 1931 they struck an agreement to merge, forming the Electric & Musical Industries, Ltd. Corporation (EMI). This left the entire continent of Europe at its command, with only a few very small independent companies and the near-major Deutsche Grammophon company, owned by the German Siemens electrical equipment manufacturer, as competition (Gelatt, *ibid*: 258; Dannen, 1990: 171).

In Canada, RCA-Victor and Compo were the only two recording companies to survive the Depression, Edison

discontinued its Canadian operations in 1929 and Columbia shut its doors in 1931. RCA-Victor cancelled its factory expansion and devoted most of its energies to radio manufacture while enlisting Canadian radio stations as outlets for its NBC programming. They also made an attempt at boosting record sales in the US and Canada in 1931 by introducing the first version of long-playing records which played at a speed of 33 1/3 rpm, but they failed to develop an inexpensive machine for the new records and the innovation quickly fizzled. Compo's response to the Depression was to diversify its product line, manufacturing and marketing office dictation machines, transcription radio discs and even floor tiles in order to survive. In 1935 Herbert Berliner signed a pressing and distribution agreement for Canada with the Decca US recording company, a move which put Compo on a firm financial foundation for the next two decades (Moogk, *ibid*: 123; Miller, *ibid*: 170; Gilmore, *ibid*: 40).

The only new national label to start up in Canada during the Depression was Sparton Records of London, Ontario in 1930, a subsidiary of the US-based Sparks-Worthington Company, a manufacturer of radios, phonographs and household appliances. Another cut-rate record label selling to retail chains, Sparton didn't really begin to play a major role until 1939 when it became the presser and distributor of a newly-revitalized Columbia Phonograph Company which had been

purchased in 1938 by the Columbia Broadcasting System (CBS), NBC's main competitor in the construction of radio networks (Kallman and Moogk, 1981: 888).

The general feeling in both Canada and the US was that the phonograph industry was at death's door, as evidenced by the title of an article by David York in the American Mercury magazine, "The Rise and Fall of the Phonograph", and much of the blame was placed in the increased popularity of radio. Radio sales in the US clipped along at an average of \$300 million per year in the 1930s, and by 1939 over 90% of American homes possessed a radio. In Canada average sales per year were in the range of \$11 million, representing 225,000 radios sold. A serviceable radio could be bought for less than forty dollars, while an estimated 80% of all radios purchased in the 1920s and 1930s were purchased through installment plans (Leacy, 1983: R730-743; Schiffer, *ibid*: 89, 102, 120).

Not only was radio considered "free" entertainment after the initial purchase, and in Canada after paying the annual \$2.50 license fee, but the range and quality of entertainment programs increased dramatically throughout the 1930s. Although the quality of recorded sound had also improved, it still did not sound very good over the airwaves, and the substitution of prerecorded transcription discs of entertainment programs for live broadcasts was considered to be a form of cheating the radio listener.

However, there were also structural reasons for not playing records on the air. In 1928, the US Federal Radio Commission, forerunner to the Federal Communications Commission, had mandated that all pre-recorded material broadcast on radio had to be identified as such both immediately preceding and following the program; a restriction only slightly lifted in 1946 for unidentified transcriptions of one minute or less (a great boon for the advertising industry, eliminating the necessity of live performances of commercials) (Hilmes, 1990: 143). In Canada, the newly formed Canadian Radio Broadcasting Commission (est. 1932, later in 1936 the Canadian Broadcasting Corporation) banned the use of records or transcriptions on all stations, public or private, during the evening hours until World War II for private radio stations and 1958 for the CBC radio network (MacMillan, 1981: 13; cf Leiter, 1953: 142-3). Nevertheless, it is difficult to say if even the broadcast of records over the air would have helped the North American recording industry. Phonographs and records had simply become a luxury that most could not afford.

However, what is not difficult to identify is why more discount record companies had not entered the recording market, such as the cut-rate record producers Decca and the American Record Company: this was the age of the international cartels; i.e., the international pooling of

patents pertaining to phonographs, discs, radio and later television in order to stifle competition. In the US, Hazeltine Research Inc. was the patent pool administered by RCA, with membership including AT & T, GE and Westinghouse, that controlled over 4000 electronic and mechanical patents in the mid-1930s. While the major members could access these patents at relatively inexpensive rates, non-members were forced to lease a group of patents, instead of just the one or two they were interested in, at exorbitant prices. In Canada the patent pool, called Canadian Radio Patents Ltd., operated in a similar manner controlling over 6000 patents by the mid-1960s, with licenses granted to non-members stipulating that they could only sell their products in Canada. With the addition of the European, Japanese and Australian patent pools, which included subsidiaries of the aforementioned companies along with Philips, Marconi and EMI, the arrangement proved to be a global deterrent to entering the various industries, and shielded each continental block from non-member competition (Mirow and Maurer, 1982: 45; cf Kronstein, 1973: 296-301).

A combination of factors helped to revive the North American recording industry in the mid-to late-1930s, not the least of which was a slight upturn in the economy. The recording process of "high fidelity" introduced in 1935 by RCA improved the tonal range of sound reproduction. By the end of the 1930s all the majors in Canada and the US had

dropped their record prices, not only in response to sluggish sales but also to Decca's 35 cents or three-for-a-dollar pricing policy. The broad category of popular music began to outsell serious music, with blues, jazz and country musics beginning to establish themselves. All of the majors got involved in these musics either through their signature labels, or buying up specialty labels such as CBS-Columbia's purchase of Okeh in 1938. However, the most significant of the popular musics for boosting record sales was swing music. The music of various "big bands" such as Benny Goodman and Glen Miller, and their black counterparts such as Louis Armstrong and Duke Ellington, were responsible for over 60% of the million selling records between 1937 and 1941 (Gillett, 1972: 11).

Canada also had a number of swing era bands who were quite successful, with Guy Lombardo and His Royal Canadians on Decca being the only million record seller of this group. As with most popular Canadian performers however, not only did Lombardo have to go the US to become successful in his homeland, absolutely none of the Canadian swing era bands were recorded in Canada. This begins a period where very few Canadian acts of any musical persuasion are recorded in Canada by foreign subsidiaries. In effect, the overwhelming purpose of the Canadian branch plants between 1929 and the late-1960s was to manufacture and/or distribute American

music products, just as that music accounted for more than half of all revenues for Canadian independents.

In both Canada and the US however it was not just the music that made the difference for the recording industry's comeback, but a revival of the "pay-for-play" technology now called jukeboxes. Rising from a total of approximately 25,000 in 1933, by 1939 there were over 225,000 jukeboxes gobbling up about thirty percent of all records sold that year in the US. By 1942 there were over 400,000 jukeboxes operating everywhere from drugstores to gas stations to nightclubs in North America (Lynch and Henkin, 1981: 14; Gelatt, *ibid*: 278). This also brought with it the establishment of the first independent record distribution system not directly controlled by the major recording companies. The importance of having a record added to the playlist of the "big three" jukebox manufacturers/distributors (Wurlitzer, Seeburg and Rockola) also established "payola" (i.e., the direct payment of monies to ensure a playlist addition for particular records) as an accepted structural mechanism in the industry (payola would become more creative and expensive as the importance of getting added to radio playlists came to the fore in the 1940s and 1950s). The three major jukebox firms had all established branch distributors in Canada in the 1930s, with Virden, Manitoba's David C. Rockola's Multi-Selector, manufactured in Chicago, the most successful due to his

familiarity with the Canadian music scene (Miller, 1992: 1115).

All of these factors contributed to record sales reaching \$33 million in 1938, rising to \$44 million in 1939, over 75% of which belonged to RCA-Victor and Decca. While record sales reached a comparatively whopping \$127 million in 1941, the outbreak of World War II on December 7, 1941 effectively shut the industry down till 1945. Commercial US and Canadian phonograph and record manufacture was suspended, with production being turned to the war effort via military equipment contracts. In April of 1942 the US congress enacted a 70% reduction in non-military uses of shellac, the main ingredient of record manufacturing, and Canada quickly followed suit. For a short period of time the majors thought that an early version of recycling might alleviate the effects of this virtual shellac ban by having record buyers return one record for every one bought. This policy quickly proved to be inadequate and in response the majors dropped all of the types of music that were not of the popular mainstream. This move would open up a space in the post-WW II period for the establishment of many independent record companies intended to serve the various non-mainstream markets (Gelatt, *ibid*: 273-6; cf Grunow, 1989: 119-20).

However, another major contribution to the shutdown of the industry during WW II was the dispute between the

musician's union, the American Federation of Musicians (AF of M), and the record companies. James C. Petrillo, the president of the union, wanted protection for his unemployed members whose services he felt were being replace by the use of more and more recorded music on radio and the increasing deployment of jukeboxes. Petrillo and the 144,000 strong membership decided on July 31, 1942 to prohibit all AF of M musicians from supplying their services to all recording companies in the US and Canada (except for a minor attempt of setting up a Canadian Federation of Musicians in Montreal in the 1930s, all Canadian musicians have had to associate themselves with the AF of M since its establishment in Canada in 1905). The major exceptions to this ban was any music that was related to the war effort (i.e., patriotic and military recruitment songs), and most singers who belonged to various actor's unions.

Aware that the AF of M was planning this move, the majors had been stockpiling records for release during the strike. Due to Decca's reliance on mostly new releases of big band music, it was most affected by the ban, and was the first to sign an agreement with the union in September of 1943. Within the next two months all independent record labels had signed similar agreements, including the soon-to-be major Capital Records which had formed in late 1942. RCA-Victor and CBS-Columbia, with deeper pockets and more extensive library catalogues as a source of reissues, held

out till November of 1944. The agreements stipulated royalty rates ranging from a quarter of a cent to 5 cents per record sold, depending on the retail price of the record, with proceeds going into an unemployment fund for union musicians in the US and Canada that lasted into the early 1950s (Leiter, 1953: 132-141; cf Gelatt, *ibid*: 278-281; Gilmore, *ibid*: 282-7).

It took about a year for the effects of the war to wear off for the recording industry, with sales in the US in 1945 rising to only \$109 million, but doubling in 1946 to \$218 million, and reaching a pre-1955 peak of \$244 million in 1947. Among other developments, this prosperity attracted two more majors-to-be to the market: Metro-Goldwyn-Meyer set up MGM Records in 1946, and Mercury Records, founded in Chicago in 1947. Thus, by the late 1940s, the "big six" major companies that will dominate the industry for the next twenty years are in place: RCA-Victor, CBS-Columbia, Decca, Capitol, MGM and Mercury. Although there also were at least 600 independent record labels in the US at that time, the majors accounted for 163 of the 168 records selling over one million units during the years 1946 through 1952 (Gillett, 1972: 14, 329).

Record sales tapered off in the late 1940s and early 1950s to around an average of \$200 million per year mostly due to a post-war economic "boom-bust" cycle, but a certain technological confusion among record purchasers also

contributed to stagnant revenues. While RCA and CBS were involved in a technological war over which television system would become the US standard, they were also involved in what has become known as the "battle of the speeds" in the recording industry. In 1948 CBS introduced the 33 1/3 rpm long-playing (LP) vinyl-based disc, with RCA countering in 1949 with its 45 rpm "single" records. While both companies rushed to produce inexpensive machines for the new discs, or adapters for older machines, consumers were hesitant to purchase the new machines for various reasons, not the least of which was the approximate five dollar LP price as opposed to the average 78 rpm disc price of one dollar (meaning you got the same amount of music, about ten songs, for the same price without having to purchase a new machine). Superior sound on the new discs proved to be the significant difference however, and in 1950 RCA-Victor became the last of the majors to adopt the new LP form, and by 1951 all the majors were producing their own versions of singles. LP prices leveled out to \$3.98 each, while singles could be bought for as little as fifty cents each. By the mid-1950s the new forms will have almost totally replaced the 78 rpm format. The introduction of magnetic recording by the AMPEX corporation in 1948, although revolutionizing the recording process by allowing studio engineers to edit sound recordings in a similar manner to film editing and producing a far superior sound on home 7" reel machines, would not

prove to be a serious competitor for consumer dollars until well into the mid-1960s (Gelatt, *ibid*: 290-99; Chapple and Garofalo, 1977: 22-3; Miller, 1981: 1115).

In Canada, American imports are still the name of the game, with record imports rising in the post-war period from an approximate value of one million dollars in 1945 to \$6 million in 1950, while the major promotional efforts for LP and singles technology are delayed to the early 1950s (Ford, *ibid*: 106). RCA-Victor remains a wholly-owned subsidiary, and CBS-Columbia continues to be pressed and distributed by Sparton Records in London, Ontario. The British-based Decca recording company established the London Gramophone Corporation of Canada in Montreal in 1948, while Capitol Records signed a distribution deal for Canada in 1946 with Musicana Records, a US-based record label subsidiary also located in London. In 1947 this company became Regal Records which would manufacture and distribute Capitol products. In 1949 MGM Records, in partnership with All-Canadian Records (later Selkirk Communications Ltd.), set up Quality Records in Toronto to manufacture and distribute not only MGM, but also through master tape leases many of the independent labels springing up in the US. Quality would later replace Compo Records as the major Canadian record company, when Compo was bought out by US Decca in 1950. Although US Decca will continue to press the Compo and Apex labels into the 1960s, the Berliner Era in the Canadian

recording industry came to an end (Kallman and Moogk, 1981: 797-8; Bronskill, 1992: 73-76; Straw, 1993: 11).

1951-1970

The most important cultural development of the 1950s in regards to the recording industry was the melding of white rockabilly and black rhythm and blues musics which produced rock 'n' roll. With the exception of Mercury and Decca in the US, and RCA-Victor's signing of Elvis Presley in 1955, the majors were indifferent to the new music. Further, as rock 'n' roll became an alternative to white mainstream pop music, many of the independent record companies that had been set up to compete in the middle-of-the-road market fell by the wayside, supplanted by over 400 independents devoted to one or more of the new musics. These independents captured over two-thirds of the 150 or so Top Ten rhythm and blues/rock 'n' roll records over the years 1955 to 1959, with Presley on RCA-Victor accounting for 15 of the majors' portion of these records. However, most of the sales of the new musics were confined to the singles market, while LP sales by the majors represent over 75% of all record sales in North America during the 1950s. Through the majors' international subsidiaries they captured over 50% of global sales, and when Polygram's totals are added to the list, the majors captured approximately 70% throughout the 1950s and 1960s (Gillett, 1972: 76, 329; cf Chapple and Garofalo, 1977: 93; Grunow, 1989: 120).

RCA-Victor's signing of Elvis both reinforced and established new structural practices within the recording industry that maintain to this day. It reinforced the "one out of twenty" rule whereby the revenues derived from one hugely successful record or performer would provide the investment necessary to record and promote not-so-successful or failed efforts. It also established the practice of independent record companies serving as scouts for the majors, with the large firms either signing the potential best-seller to a recording contract or distribution deal just as they were becoming more widely known. With Decca's signing of Norman Petty in 1957, and Mercury's signing of Lee Hazlewood in 1958, to independent production agreements, a third long-lasting structural pattern of behaviour was established. These producers would take the bulk of the investment risk in finding and recording new performers (eg. in Petty's case, Buddy Holly, and in Hazlewood's, Duane Eddy) in exchange for a leasing agreement with the majors. Avoid the risk as much as possible, go to any lengths to sign the best, and minimally support the rest remain bedrock operating principles of the recording industry.

Much of the success of popular music and rock 'n' roll in the latter half of the 1950s was due to the rise of Top 40 independent AM radio stations. The concept of the Top 40 charts has its roots in the mid-1930s NBC radio program "Your Hit Parade". Billboard Magazine, the main trade paper

in the US, picked up on the idea with its first Top 10 chart in 1940, which by the late 1940s had become the Hot 100 record chart. As television became the most important outlet for variety entertainment and dramatic programming, radio had to adapt to new ways of selling itself. The major radio networks stayed with the old formula, while independent radio stations and chains of stations quickly converted to a Top 40 formula of playing the hits, beginning with WTIH in New Orleans in 1955. By 1956 the audience for network affiliated radio stations had dropped by 90%, catering mostly to an older audience, while independent radio was garnishing the majority of profits in the business by chasing after the youth market which, by 1960, was worth over \$10 billion a year. Various teen magazines fed into this market, as did some television shows such as Dick Clark's American Bandstand, while the rise of the use of portable radios throughout the 1950s, representing over 40% of all radio sales in the latter half of the decade, completed a marketing circle which provided teenagers with "unremitting guidance on how to become perfect consumers in a consumer society" (Schiffer, 1991: 160; cf 182-4; Denisoff, 1986: 234, 240-1).

Even with the watering down of rock 'n' roll in the late 1950s and early 1960s, record sales in the US soared from \$277 million in 1955 (the first year that sales had surpassed the 1947 figures) to an annual average of \$600

million during the years 1958 to 1963 (Gillett, *ibid*: 329; Chapple and Garofalo, *ibid*: 69). While the majors continue to distribute directly from their factories to major retailers throughout the US and Canada, independent distribution became more widespread in two forms. "One-stop" distributors were well-established by the mid-1950s, carrying a large, mixed roster of major and independent product, servicing small "mom and pop" retail stores and jukeboxes; while a new type of distributor "rack-jobbers", were those who carry only the most popular records of the day mostly servicing reserved racks or record sections in department stores, taking the responsibility of keeping up with the record charts from department store managers. However, the majors continued to control distribution in the US and Canada till well into the mid-1960s, when the business was evenly split, with the independents taking 70% of distribution activity by 1970 (Chapple and Garofalo, *ibid*: 24, 89-92; Denisoff, 1978: 100-107).

Record retail discount stores, reflecting a more general trend in US retailing, also began to establish themselves in the mid-1950s, coming to dominate the market by the early 1960s. Through the practice of buying in bulk, the record discount chain stores manage to undercut the manufacturer's suggested list price by as much as 30%. These developments were not replicated in Canada until the 1960s. The other major innovation in record retailing was

the establishment of record clubs by CBS-Columbia in 1955, and RCA-Victor and Capitol in 1958. The various record clubs would come to account for approximately 14% of all record sales in the US by the mid-1960s (Denisoff, 1986: 211; Vogel, 1990: 309).

Mergers and acquisitions continued apace in the recording industry, many of them part of the film industry's vertical integration frenzy during the 1950s. Universal Pictures merged with US Decca and the Music Corporation of America (MCA) in 1952, with all three companies operating relatively independently from each other (Dannen, 1990: 136). The small record arm of the American Broadcasting Corporation merged with Paramount Pictures to form the ABC-Paramount label in 1956, while the Warner Brothers Film Corporation decided to take another chance in the record business forming the Warner Brothers Records label in 1958 (Gillett, 1972: 75; Wicke, 1990: 121). The most far-reaching acquisition of the 1950s in the US was British EMI's purchase of Capitol Records for \$8.5 million in 1955. By this time EMI was a mid-size conglomerate, known mostly in Europe as a manufacturer of electrical goods and lighting equipment, and in Britain for its shared 80% control of the record industry with Decca Records. EMI was hoping that its purchase of Capitol would give it more direct access to US acts and, in effect, allow it to circumvent some of the leasing agreements that had been made with its two major

label counterparts in the US, RCA-Victor and CBS-Columbia (Gelatt *ibid*: 330; cf Chapple and Garofalo, *ibid*: 13, 17; Tremlett, 1990: 62-3). This was only the first of many post-1950 foreign takeovers of what at one time seemed to be an invincible US record industry.

In Canada, Capitol-EMI purchased Regal Records in the same year, becoming Capitol-EMI of Canada and moving its operation to Toronto. In 1954, CBS-Columbia had decided to open a wholly-owned subsidiary in Toronto under the name CBS Records Canada Ltd., severing its relation with Sparton Records. Sparton signed manufacturing and distribution agreements with ABC-Paramount and Disney Records over the next two years. Quality Records, already affiliated with MGM, strengthened its position in Canada by signing a pressing and distribution deal with Mercury Records, along with a whole host of independent US record companies (Bronskill, 1992: 76; Straw, 1993: 11). Exact sales figures for the CRI in the 1950s, or 1960s, are not available, but approximate manufacturing statistics tell us that records produced in Canada reach about 20.6 million units in 1960 (Leacy, 1983: R730-734). Considering the fact that the two largest manufacturing plants in Canada belong to RCA and CBS, and that there are only two Canadian companies, Quality and Sparton, recording Canadian artists in anything approaching significant numbers, and that the majority of those two firms' revenues are sourced in manufacturing

leased foreign product, it can be safely estimated that the overwhelming majority of records sold in Canada during the 1950s are from foreign-originated, mostly American, master tapes.

Although some independent record labels did open in Canada in order to record Canadian artists performing the new American musics (eg. Dominion Records, Toronto, est. 1950; Alvina, Toronto, est. 1954; Phonodisc, Toronto, est. 1955; Aragon Records, Vancouver, est. 1955; Arc Records, Toronto, est. 1958), most depended on the sales of US and European independent product that they distributed in Canada (Kallman and Moogk, 1981: 798; Miller, 1981: 815). Even the most popular of Canadian artists performing the new musics felt compelled to move to the US and sign recording contracts with the US majors' headquarters organizations in order to ensure a better chance at success (eg. The Four Lads, 1952 with CBS-Columbia; The Crew-Cuts, 1954 and the Diamonds in 1956 with Mercury Records; Paul Anka, 1957 with ABC-Paramount) (Miller, 1981: 22, 242, 269; Melhuish, 1983: 10-14). As a matter of fact, the first Canadian-made single to crack the US and European charts did not appear until 1960, "Clap Your Hands", by the Montreal-based group the Beaumarks, on Quality Records (Miller, 1981: 815).

With the CRI dominated by foreign majors in the 1950s, it is not surprising to discover that a Canadian infrastructure to support Canadian artists simply did not

exist. The majors were busy establishing and refining their nationwide distribution systems in Canada, and by the end of the 1950s had already set up their own publishing companies, retail store chains, and concert promotion companies. Even private Canadian radio only marginally supported Canadian talent, playing material from mostly regional groups or those who had become successful in the US. Beginning with the Toronto CHUM-AM introduction of the Top 40 radio format in May of 1957, quickly followed by cross-town rival CKEY-AM, formula radio was represented in all the major cities across Canada by the end of 1958. But most of what is broadcast on these stations was US popular music (approximately 95%), and overall the Canadian-controlled portion of the CRI continued to languish until the mid-to-late-1960s (Miller, *ibid*; Mulligan, 1989: 166).

The major feature of the recording industry in the 1960s was the intensification of conglomerate mergers and takeovers. The first of these occurred in Europe in 1962, when the world's second largest manufacturer of consumer electronics, Philips of Holland, teamed up with the German Siemens corporation, a manufacturer of heavy electrical equipment, to form Polygram Records. Polygram concentrated on classical music, while their companion label, Polydor, marketed popular music in Europe. In 1963 Polygram purchased Mercury Records in order to have a US outlet for its products and access to American acts; while in the same

performers were signed directly to US headquarters labels, these latter two acts to RCA-Victor and Warner Brothers respectively, and they were continuing the tradition of making it big in Canada by first becoming big in the US, while leaving the majority of the profits in the US. The infrastructure was still not in place. Besides the undercapitalization of most independent record labels there existed only about ten recording studios across Canada in the late 1960s, four of them belonging to the majors. If one managed to make a recording, getting it played on Canadian radio stations was next to impossible: it is estimated that, depending on the type of music that was the mainstay for individual radio stations, only three to seven percent of the music broadcast on private stations was Canadian (Bergeron, 1986: 1-2). According to Leblanc (1990a: 3), "a record unable to crack the major AM Canadian stations could only be expected to sell, perhaps, 6,000 copies". If one did manage to get some airplay, it was difficult to sell many records because the majors' controlled sub-distributors would only carry the most popular two hundred record titles or so in relation to the American record charts because that's what the Canadian radio playlist was guided by (Melhuish, 1983: 34). A vicious cycle indeed!

Radio did make an attempt to boost Canadian airtime in 1969 when Alan Waters, owner of the CHUM chain of radio

Leisure Time Division of G & W, which then went on to purchase cable television and book publishing interests. Included in these buy-outs was the 1968 purchase of the East Publishing Company (from Atlantic Records - see below), owners of the Stax and Volt soul music record labels; and the purchase of the New Deal Records distribution company. Finally, in 1969, G & W bought the Chess blues music record label, and 20,000 shares of the General Recording Tape (GRT) company (Sobel, 1984: 114-8; cf Chapple and Garofalo, *ibid*: 83-5).

The most far-reaching conglomerate purchase of the 1960s was the Kinney Corporation's buy-out of Warner Brothers' Films in late 1967, including the record division of the company which had previously purchased Frank Sinatra's Reprise Records in 1963. Warner-Reprise had already been part of the short-lived Seven Arts film production company's purchase of Warner Brothers in 1966, which had in turn bought the largest US independent record label, Atlantic Records, in early 1967. Kinney, a funeral and cleaning services conglomerate, immediately began to transform the Warner record labels into an international concern by setting up a global distribution network, and in 1970 purchased Elektra Records to form WEA International (Warner-Elektra-Atlantic). By 1970 the record, tape, and music publishing arms of Warner Communications would account

for approximately 65% of the profits of the division (Wicke, 1990: 121-2; Chapple and Garofalo, *ibid*: 173, 202-5).

The major cultural phenomena that directly impacted on the recording industry in the 1960s was the coming of the Beatles to the US in 1964, and later in the decade the rise of "progressive rock" music. The Beatles not only brought to Capitol-EMI previously unheard of levels of record sales (approximately 200 million units worth over \$150 million in global sales between 1963 and 1968) (Gelatt, *ibid*: 330; Wicke, *ibid*: 121-2) virtually assuring the company's profitability into the 1980s; but in combination with other rock groups they also changed the economics of the industry in three major ways. First was the relative importance of rock music versus other types of music in terms of record sales. Whereas rock and roll records in the 1950s represented approximately 20% of all records sold, by 1968 the various strains of rock music accounted for 36% of all million sellers, and by 1971, 69% (Chapple and Garofalo, *ibid*: 185). When the major record companies saw the sales and share figures of rock music, the message was very clear, as Mo Ostin, then president of Warner's record division in 1977 recalled:

You'd struggle with a middle-of-the-road artist to sell maybe 300,000 albums when you could sell two million Jimi Hendrix albums. Frank Sinatra....Dean Martin never sold two million albums. I don't think there were too many artists who

ever sold two million albums until this wave of 'involving' records.

(in Gelatt, 1977: 332)

Second, the profit margin per record sold greatly increased for the industry as album sales began to overtake sales of singles in the mid-1960s. By 1969 over 80% of all North American record sales were LP's, and by the mid-1970s singles accounted for less than 8% of the total record market (Chapple and Garofalo, *ibid*: 76; Gelatt, *ibid*: 331). Third, as profits per record sale increased, so did the costs of making a record. Although the capitalization necessary to get a record to market is relatively very low as compared to other media products such as film or television productions, the ante involved in the recording industry ballooned from an average of \$5,000 in the late 1950s and early 1960s, to an average of around \$50,000 to \$100,000 by the end of the 1960s (Denisoff, 1986: 164-72).

The cumulative effect of these new economic realities can be found in the majors' response to rock music in the latter half of the 1960s. As opposed to their indifferent tolerance of rock and roll in the 1950s, the majors embraced the "rock revolution" by buying it up: both individual performers/groups and independent record companies were fair game. But this was no conspiratorial ideological co-optation, simply a continuation of chasing profits: the discretionary spending level of the post-WW II "baby boom" teenagers had reached a US total of \$20 billion by the end

of the 1960s, and the major record companies wanted their share (Hirsch, 1971: 3). They assembled large, specialized and well-funded A & R departments responsible for signing talent, while pursuing either distribution agreements with, or purchases of smaller, usually underfunded, independent record companies. It should also be noted that the artists themselves were doing better than ever with outrageous sums being offered to sign recording contracts, and royalty rates from record sales rising from the one-quarter to five percent range of the 1950s to as high as 25% for major acts such as the Beatles and the Rolling Stones. In combination with the majors' solidification of control over music publishing, distribution, and retail operations, the overall result of these changes is that the recording industry had come of age in an economic sense: it had become big business, ironically at the same time as the cultural atmosphere of the 1960s, and many of the songs advocated anti-business and "small is beautiful" messages.

All of these changes in the global and US recording industries were being mirrored to varying degrees in Canada in the 1960s. The structure of the CRI remained the same with the names of the players simply reflecting the global reorganizations while the top ten major record companies in Canada formed a lobby group in 1963 called the Canadian Record Manufacturer's Association (later in 1972 renamed the

Canadian Recording Industry Association - CRIA) (Miller, 1981: 154). MCA took over the US Decca operations in Canada in 1964, while opening a pressing plant in Cornwall, Ontario. Although MCA continued to market the old Compo and Apex labels until 1971, their main business was pressing and distributing American and British product from leased master tapes, as were all the majors operating in Canada during the 1960s (Moogk, 1981: 212; Gilmore, 1988: 40). Polygram started Polydor Records of Canada Ltd. in St. Laurent, Quebec in 1966, while across town British Decca consolidated its various holdings into London Records of Canada in Montreal in 1967. In the same year Warner Communications opened Warner Brothers Records, Canada Ltd. in Vancouver (Kallman and Moogk, 1981: 769, 719; Bronskill, 1992: 76). The two most successful US independents also made an appearance in Canada. Motown Records signed a distribution agreement with Phonodisc in the early 1960s, and A & M Records distributed through independent sub-distributors until 1970 when it established a full-line branch in Scarborough, Ontario (Bronskill, *ibid*; Straw, 1993: 11).

By the mid-1960s there had been some grumblings from those in the independent sector of the CRI that homegrown talent was not receiving its due, either commercially or culturally. In an attempt to plant the seeds of a star system in Canada for Canadian performers the Gold Leaf Awards were begun in March, 1964 (later in 1971 to become

the Juno Awards), sponsored by RPM Magazine, which was established earlier that year in response to the lack of a Canadian music trades publication in Canada (Miller, 1981: 487). Many small labels began to spring up, mostly owned by promoters or managers of the groups who recorded on them (eg. Montreal: Gamma Records, 1965, Aquarius 1968; Toronto: Red Leaf 1964, Stone Records 1966, Yorkville 1966, True North Records 1970; Vancouver: New Syndrome Records 1967). The result of these endeavors established a pattern of relations between the independents and the majors that continues into the 1990s. Most groups would record a single or two for these companies, predominantly to be used as a promotional device in order to secure an increase in live performance work. However, these singles would also serve as demonstration records (demos) for A & R departments in the majors' Canadian subsidiaries. Most often, if an album deal came from these singles, the indie label folded, while the owner continued on as the band's manager. Only two of the independent record labels mentioned above survived the 1960s, Aquarius and True North (Kallman and Moogk, *ibid*: 798; Melhuish, 1983: 65-8, 117).

1969 was a high point for Canadian artists, with thirteen songs making it into the Top 10 American charts in Billboard (there had been only twelve to do so up until that year in the 1960s), mostly due to the popularity of the Guess Who and Gordon Lightfoot. But most of these

performers were signed directly to US headquarters labels, these latter two acts to RCA-Victor and Warner Brothers respectively, and they were continuing the tradition of making it big in Canada by first becoming big in the US, while leaving the majority of the profits in the US. The infrastructure was still not in place. Besides the undercapitalization of most independent record labels there existed only about ten recording studios across Canada in the late 1960s, four of them belonging to the majors. If one managed to make a recording, getting it played on Canadian radio stations was next to impossible: it is estimated that, depending on the type of music that was the mainstay for individual radio stations, only three to seven percent of the music broadcast on private stations was Canadian (Bergeron, 1986: 1-2). According to Leblanc (1990a: 3), "a record unable to crack the major AM Canadian stations could only be expected to sell, perhaps, 6,000 copies". If one did manage to get some airplay, it was difficult to sell many records because the majors' controlled sub-distributors would only carry the most popular two hundred record titles or so in relation to the American record charts because that's what the Canadian radio playlist was guided by (Melhuish, 1983: 34). A vicious cycle indeed!

Radio did make an attempt to boost Canadian airtime in 1969 when Alan Waters, owner of the CHUM chain of radio

stations, enlisted his and other stations into the Maple Leaf System. These 12 stations located in the major cities across the nation agreed on a list of Canadian artist's records which would be given a spot in their daily high rotation playlist. This was the first of co-operative private ventures to promote contemporary Canadian talent. However, many in the industry questioned the motives and results of the endeavor, seeing it as an attempt to stave off government regulations hinted at in the Broadcast Act of 1968 which would require the playing of a set amount of Canadian music on Canadian radio stations (Flohill, 1989: 178; cf Matlin, 1973: 17). Although it is difficult to claim a direct cause and effect relationship, the independent portion of the CRI did not really begin to flourish, and a Canadian infrastructure support its sound recording talent until the Canadian Content (CanCon) regulations went into effect in January of 1971.

1971 to Present

By 1971 the "big six" major global record companies were, in descending order of international sales and percentages of those sales in parenthesis where available, EMI (20%), CBS (15%), RCA (10%), Polygram, Warner and MCA. In order of descending North American shares, including Canada, in 1971 they were CBS, Warner, RCA, Capitol-EMI, MCA and Polygram with A & M and Motown representing the largest independents in the US, and Quality and Phonodisc the

largest indies in Canada (Chapple and Garofalo, *ibid*: 92-94; Qualen, 1985: 36-7; Dannen, 1990: 111-113). The international majors accounted for anywhere between sixty to seventy percent of global sales, while the top eight companies in North America accounted for around 83% of record revenues (Chapple and Garofalo, *ibid*: 93; Laing, 1986: 13; cf Negus, 1992: 156-7; Shore, 1983).

The years 1971 through 1978 witnessed a veritable explosion in retail sales totals for the recording industry. Global record sales increased at an average annual rate of around 21%, beginning with 1971 sales of \$2.67 billion to a 1978 total of \$10.2 billion. US sales increased at an average of 12% per year, rising from a 1971 worth of \$1.74 billion to 1978 totals of \$4.1 billion. Canadian retail sales increased at almost a 20% annual average, from a 1971 total of \$144 million to a 1978 figure of \$498 million (IFPI, 1990: 85, 61, 21) (see Appendix A for CRI statistics).

The key feature of the global recording industry in the 1970s is the consolidation of the major company's holdings, while purchases of smaller record labels continued to occupy much of their time. In 1972 the Philips-Siemens conglomerate partnership consolidated its world-wide entertainment holdings into the PolyGram Group (PGG), merging all of its record labels into either Polydor for popular music or Polygram for classical. PGG immediately

purchased MGM records and music publishing, along with the United Artists record distribution division, picking up the Verve and Casablanca record companies by the end of the decade. By 1978 PGG operated in over twenty countries, and it racked up over \$1.2 billion in global sales, the first recording company in the history of the industry to have over a billion dollars in revenue (Dannen, *ibid*: 171-2; Qualen, *ibid*: 18).

In the US, MCA consolidated all of its record labels into MCA Records in 1972. In 1975 they signed the largest record contract to that time with Elton John worth over \$8 million, including a 20% royalty rate and the establishment of his own record company, Rocket Records. MCA ended the decade by purchasing the ABC-Dunhill label in 1979 (Denisoff, 1986: 98; Chapple and Garofalo, *ibid*: 1976).

Warner Brothers consolidated its world-wide entertainment companies into Warner Communications International (WCI) in 1971, the most important branch of which at that time was the music division accounting for 43% of all sales and 46% of profits (Dannen, 1990: 121-2). Warner's internal arrangement was different than the centralization taking place in Polygram or MCA (or earlier in Gulf and Western's entertainment group) in that its three record groups maintained a separate identity, while being overseen by a central music committee which concerned itself with general issues (i.e., legislation, tax laws,

import/export regulations, etc.)). This relative organizational autonomy would become the model for all conglomerate purchases of record companies in the 1980s and 1990s. In 1973 WCI bought Asylum Records which became part of the Elektra record label. The group ended the decade in 1979 by forming a co-venture with the American Express financial services conglomerate, called WarnerAmex Cable Communications, which included cable systems and cable channels (i.e., The Movie Channel and Nickelodeon). This endeavor became important for the recording industry in 1981 with the establishment of the Music Television (MTV) music video cable channel. By 1979 WEA had sales of over \$700 million representing 44% of WCI's total revenues (Wicke, *ibid*: 122, 160; Qualen, *ibid*: 34).

Gulf and Western began making hints that it wanted out of the record business altogether, while CBS-Columbia and RCA-Victor, having much earlier consolidated their entertainment groups, were content throughout the decade to let the profits roll in and to sign distribution deals with various smaller recording companies (eg. Stax/Volt Records and Philadelphia International signed with CBS-Columbia in 1971, and A & M Records signed with RCA-Victor in early 1979). While CBS overtook RCA in terms of the share of the North American record market in the 1960s, they were slowly losing the top spot to Warner over the 1970s. Throughout the decade the record division of CBS represented around 25%

of company revenue, while for RCA the figure held steady at 9% (Qualen, *ibid*: 34; Denisoff, *ibid*: 220; Dannen, *ibid*: 74, 87-8).

The blockbuster move that attracted the most attention in the 1970s however came at the end of the decade in 1979 when Thorn Electrical Industries bought EMI. Over the decade EMI had managed to hold onto its 15% - 20% share of global sales with subsidiaries in over 35 countries, while accumulating 20% of all music publishing royalties in Europe, the combined revenues of which represented about 50% of the corporation's total revenues. However, profits from the music division had been slipping due to overexpansion, representing only 4% of EMI's profits in 1978, and Thorn saw an opportunity to purchase the major music software producer in the world (which also included the Thames Television channel and production group) for a fairly inexpensive price (although the exact purchase price has never been divulged) to complement its hardware manufacturing and distribution divisions (Qualen, *ibid*: 34; Wicke, *ibid*: 119-20).

As we have seen, Canada also experienced the 1970s record sales boom. The CRI also contained more recording artists, more independent companies, and issued more Canadian artists' records than ever before. Canadian records as a portion of total reported releases in Canada, as defined in the CRTC's 1971 CanCon regulations (see Chapter Three), even reached about 18% in 1977 (DITC, 1979:

14, 36). Over one hundred new record labels or companies were established during the 1970s and many of them join the Canadian Independent Record Production Association (CIRPA), formed in 1975, in order to have a more effective voice in the industry. Canadian songwriters and lyricists registered with the performance rights organizations in Canada rose from approximately 4700 in 1970 to nearly 20,000 in 1980, with revenues increasing from around \$320,000 in 1970 to \$878,000 in 1977 (DITC, *ibid*: 7; Woods, 1983: 30).

On the other hand, the overwhelming majority of the record labels referred to above did not make money, and most did not survive the 1970s. Although AM radio is playing 30% CanCon (joined by FM radio in 1976 with different requirements for various formats), Canadian record sales as a portion of total sales averaged only 7% over the decade (DITC, *ibid*: 36). It is true that the CanCon regulations did help to establish a larger independent sector within the CRI, but it is also true that it was still independent only to a degree. Most indies distributed their products through one of the majors' subsidiaries in order to gain national exposure or to achieve global distribution, while many performers continued to choose the US pathway to success in Canada.

Even the most successful Canadian independent, Quality Records, was making most of its revenues from the licensing of master tapes from the US or Britain (eg. Mercury, MGM,

Motown, Stiff, etc.), while admittedly serving as the major conduit for Canadian labels by possessing the only Canadian-owned nationwide distribution system. However, Quality was buffeted by changes in the majors' holdings throughout the decade, losing its contracts with Mercury in 1972, and MGM in 1973 to the PolyGram group. After an ill-fated attempt to establish an American branch operation in New York City in 1975, Quality signed a distribution agreement with Motown Records in 1976. Towards the end of the decade, Quality was beginning to rely more on its back catalogue of hits, its 20% share of the Canadian record and tape manufacturing industry, and its distribution network to make money, rather than by signing and recording new Canadian talent (Moogk and Miller, 1981: 784; Bronskill, *ibid*: 73-4; Straw, *ibid*: 12-13).

As with the effects on Quality, the consolidations and purchases by the international and US majors were perfectly reflected in the CRI during the 1970s. Label names change to reflect new ownership, or new internal organizational arrangements, and these subsidiaries solidified their control of the national distribution system, as their parent conglomerates were doing throughout the world during the 1970s, along with a continuous vertical expansion into music publishing and retail operations. Many of the majors plans were temporarily thwarted however by what is referred to as the "industry's Great Depression" (Denisoff, 1986: 106).

Regardless of the overblown nature of this rhetoric, the recording industry experienced a downturn starting in 1979. Record sales in the US were off from the 1978 peak of \$4.1 billion by almost half a billion with 1979 totals of \$3.68. The 1978 peak would not be surpassed again until 1984. Sales in Canada held steady with a two percent increase in 1979 to \$508 million, with its slump being delayed till the almost 11% drop off in 1980 to \$453 million, hitting bottom in 1982 with around a 23% reduction to \$364 million. The 1979 Canadian peak would not be reached again until 1988. Global sales also didn't peak until 1980 with \$11.4 billion, and then fell slowly to a relative trough of \$9.35 billion in 1983, while not recovering until 1986 (IFPI, 1990: 61, 21, 85). Overall, between 1978 and 1983, global unit sales fell by over 15% (Ibid: 64).

Many factors come into play in the explanation of this slump including a global economic recession between 1978 and 1983: the general aging of the baby-boom record consumer whereby musical tastes begin to change and other considerations supplant their interest in music purchases; the majors' decision to fight the recession by inordinately raising record and tape prices; and, according to the industry, the "piracy" of home taping costing them up to \$3 billion in the US alone. Although tape cassettes are becoming more popular during this period, with global, US and Canadian tape sales surpassing vinyl sales in 1984, most

studies carried out on the practice of home-taping bear out the fact that those who tape the most material also buy the most, thereby deflating the monumental loss scenario (CBS Records, 1980; EYE, 1981; WCI, 1981).

In many ways this recessionary period in the recording industry changed the face of the industry. As the reality of falling sales becomes evident, the majors' initial reaction was to trim talent rosters and implement a sizable personnel reduction, totalling some 2000 jobs by the end of 1979 in the US alone (Denisoff, 1986: 110-117). Many of these layoffs were in distribution, promotion and publicity departments, including middle management positions, which over the next four years created a cyclical problem because product did not reach stores in the quantity or with the efficiency necessary to keep the system running smoothly. Tour support was cut back drastically, resulting in many performer and concert promotion management companies seeking out non-music related industry tour sponsorship. In many instances these beer, jeans, cigarette and other firms were part of a shared parent conglomerate or their holdings, a trend that continued to intensify into the 1990s as the majors realized the benefits of spreading the risks and costs involved in touring to affiliated corporations. The majors also began to scale back from the 4000 or so releases per year rate of the 1970s, averaging only half of this amount per year in the early to mid-1980s. Further, record

releases by new artists fell by 45% in the US between 1980 and 1985. In turn, these developments forced radio stations to look elsewhere for new material, and finding this problematic due to the lack of new artists and independent companies failing due to the recession, many turn to the golden oldies format, now called "classic rock", which continues to be a major part of the radio industry today (Peregrine, 1986: 43; Dannen, 1990: 112).

The last of the important changes in the recording industry during this period that continues to reverberate into the 1990s was the majors' overhauling of their distribution arrangements with sub-distributors and retail stores. Previous to the recession the majors had a 100% return policy: if it couldn't be sold they would accept it back for full credit. Over a three month period beginning in October of 1979 all the major recording companies throughout the world moved to a policy of an average 20% return limit. In effect, this greatly tightened up the amount of records and the types of music that sub-distributors or retailers would carry. It is estimated that by the mid-1980s over three-quarters of all distributors in the US and Canada were only carrying Top 40 material (meaning about 100 to 200 records at any one time), with the remainder carrying a more diverse product line serving retailers who were not tied into a chain. All in all, it meant less choice for music consumers, that it was much

tougher to break new acts, and much more difficult for indies to get their records heard on radio and in the stores (Denisoff, *ibid*).

The cumulative effect of all these changes in the US recording industry assists in accounting for the longer slump in record sales in Canada. The disappearance of many of the US independent labels meant a reduction of revenues for the Canadian independents that had distributed them, the profits of which helped to support their Canadian acts. At the same time that many Canadian indies folded however, the pullback by the majors in terms of record releases per year opened up a space for more-established Canadian independents to get their records heard on Canadian radio stations, as the radio industry in Canada did not pick up on the classic rock format in a significant way until around 1985. The year of 1982, for example, was the most successful year ever for Canadian acts both in terms of income and record chart success, garnishing over twenty gold and six platinum records, and holding 15 of the 1982 Top 20 positions in the Canadian charts. Labels such as Attic Records, Anthem, True North, and Solid Gold had their best years ever, as reported in *The Record*, a new trade magazine established in 1981 which would go on to replace RPM as the major source of internal news for the Canadian industry over the decade (Flohill, 1989: 186-7). It seemed as if a truly Canadian

star system had finally been established in Canada (Leblanc, 1990A: 3-5).

In effect however the situation turned out to be one of high profile success and sales, while the overall performance of the independent CRI remained statistically the same. Revenues of Canadian independents stayed at around 10% of total industry figures throughout the period, while approximately 90% of all sales are based on imported master tapes (StatsCan, 1984: 4). Remembering that, in particular, 1982 and 1983 record sales were hitting their depths in Canada, it is not surprising that any good news would be highlighted while in reality the independent CRI remained in dire straits.

The major international casualty of the decrease in record sales was the British Decca record corporation, the last of the large European independent record companies, when it was purchased by the PolyGram Group in 1980, which included the London Records label in Canada. However, the purchase overextended PolyGram's abilities to remain profitable, losing over \$220 million between 1980 and 1985. In response the corporation laid off 20% of its labour force between 1982 and 1983, shut down its two major warehouses in the US, and sold off parts of its music publishing arm in 1982 to CBS-Columbia, and Chappell Music Publishing to a private holding company in Britain in 1985 (who immediately sold it to Warner in the US). PGG also trimmed its talent

roster from 250 to 80 acts during this period, which, symptomatic of the other majors' treatment of Canadian talent, meant that most of Polygram's efforts in Canada were devoted to putting out product sourced outside of Canada (Dannen, *ibid*: 174-5).

The major individual casualty in Canada was Quality Records in 1986. Earlier, in 1983, MCA in the US had signed a distribution agreement with Motown, the last of the independents possessing their own distribution system; and in Canada Quality lost the Motown account in 1986 to MCA's subsidiary in Toronto. Quality also shut down its nationwide distribution system, sold off its manufacturing facilities to the Cinram corporation, and retreated into a compilation album producer selling its products through television advertisements. This left Attic Records in Toronto as the largest independent record company in the CRI in the mid-1980s. Attic's distribution history in Canada was symptomatic of the relationship between independents and the major subsidiary companies, having begun in 1974 by being distributed through London Records, switching to CBS Records in 1979, a very brief stint with Quality in 1982, going with PolyGram five months later, finally ending up with A & M Records in 1989 (Straw, 1993: 12-13, 19-21).

Quality's and Attic's difficulties, along with the evidence contained in Gordon Woods' exhaustive study of the CRI (1982), demonstrated the main problem that independents

were operating with: underfunding. As both Woods' study and the Statistics Canada annual reports on the CRI (est. 1977) had shown, three-quarters of the yearly Canadian content records were being released by Canadian independent record companies. With many of these companies failing, radio stations were having a difficult time finding enough material to meet their CanCon requirements. Further, seeing that the industry was also being wholly ignored by governments in Canada, except for the CRTC which was vaguely demanding that the industry do more to support Canadian talent, the private radio sector decided to take another stab at boosting the industry by forming the Foundation to Assist Canadian Talent (FACTOR) in 1982. A coalition of three radio chains (CHUM Ltd., Moffat Communications and Rogers Radio Broadcasting, Ltd.) along with CIRPA and the Canadian Music Publishers Association (CMPA), FACTOR contributed directly to the recording of individual Canadian performers, and by the end of 1983 had contributed more than half a million dollars to over 70 recording projects. However, this still represented an insignificant amount of funding for the independent CRI. After the establishment of a similar group in Quebec in 1985 (MUSICACTION), FACTOR is joined by the Federal government's Sound Recording Development Program (SRDP - see Chapter Three) in 1986, an annual five million dollar assistance program which alleviated some of the problems in the Canadian portion of

the industry, but left much to be desired (Rosen, 1990: 11-13; Bronskill, *ibid*: 90-1).

Besides the relative improvement of the economy in the mid-1980s, the establishment of music video cable broadcasting stations are given credit for "saving" the record industry in North America. WarnerAmex's MTV went on the air in August of 1981, and although not an immediate success, had over thirteen million subscribers and was carried by over 1600 cable systems in the US by the middle of 1983. In 1982 Thorn-EMI formed a co-venture with Virgin Records and Yorkshire TV to produce the European Music Box cable music video channel, and in 1983 they signed a program share agreement with MTV, bringing to a total of 15 countries where MTV was available (as of 1992 MTV is broadcast to over 150 countries). Music video television came to Canada in September of 1984 with the establishment of MuchMusic, a division of the CITY-TV cable station in Toronto which is owned by the CHUM radio and television media corporation (Denisoff, 1985: 53-57; Wicke, *ibid*: 160; Marshall, 1987: 8-9). Much Music instituted a music video funding program, Video FACT, for Canadian artists which is supported from 1.2% of the station's annual revenues; and they were required as part of the "promise of performance" to the CRTC to carry 30% CanCon videos by 1987 (DOC, 1987: 54).

Although to this day no one has been able to prove a direct relationship between music videos and record sales, the existence of nationwide and international music cable stations definitely offers the record company an exposure to a degree not available anywhere else. Artists whose record company decides to invest in a music video, and which manage to be placed on the various music stations' playlist, find that their records are selling where they are not receiving radio airtime. By January of 1984 in the US, 18 of the Top 20 singles, and at least one song on 47 of the Top 50 albums, had a video that was in MTV's playlist (Denisoff, *ibid*: 121). More importantly, the creation of music videos as a necessary promotional tool transformed the economics of the recording industry. Music videos can be made on a shoestring budget, but having a good chance at airplay only comes with higher production values. Thus, a music video adds an average of anywhere between \$20,000 to \$75,000 to the budget of releasing new product, and even more to multiple release singles from albums, which is usually confined to "name" acts (CIRPA 1987: 12).

While Michael Jackson's 1982-3 "Thriller" album sales total of nearly 40 million assisted in putting the recording industry back on its feet, the introduction of the digital compact disc (CD) software and hardware in 1983 promised to be the long-term key to recording sales revenues. A product of a co-venture between Philips Electronics in Holland and

SONY's European division, the CD offers consumers superior sound quality, but it comes with a much higher initial price tag. It was in the interests of the record companies and their conglomerate owners that CDs become a success due to the extraordinary profits accrued from CD sales (around \$11 per disc at 1991 suggested list price of \$20), as opposed to profits from cassettes or vinyl discs (approximately \$5.50 per unit at 1991 suggested list price of \$12.99) (Financial Times of Canada, February 4, 1991: 6). In order to assure this success, vinyl was phased out over the 1980s by the majors as a choice for music consumers. In Canada for example, all the transnational majors had shut down their vinyl manufacturing facilities by the end of the 1980s (CIRPA, 1987: 6). Most album releases in the late 1980s and early 1990s were simply not offered in vinyl, and due to the loss of economies of scale in vinyl disc production caused by the majors' elimination of most vinyl disc production facilities, when vinyl was available it was only at relatively exorbitant prices (as of this writing, vinyl albums are selling for anywhere between \$16 to \$25 retail, while CD unit prices have fallen to around \$16.99, and cassettes have risen to \$13.99). Whereas the introduction of all of the previous technological audio innovations in the recording industry had been equally driven by consumer demand and industry preferences, the introduction and diffusion of the CD has been predominantly industry induced.

In effect, it has also produced a have/have-not division in music consumption, with less than 30% of all households possessing CD technology in 1992 in North America, while CD unit sales account for approximately 45% of the total product sold, and nearly 60% of revenues (US Department of Commerce, 1992: 31-4; Toronto Star, September 19, 1992: G1, G11).

Although the general recovery of the global economy in the mid-1980s was not equitably shared by all, either between or within individual countries, and the global economy has been in a general recessionary period since the late 1980s, the record industry has witnessed phenomenal growth since the mid-1980s. Global retail revenue has increased at an annual average of around 14% since 1985, going from \$9.9 billion in 1985, jumping 24% to \$12.2 in 1986, and in 1992 reaching approximately \$22 billion. Sales in the US busted out of the slump with a total of \$4.37 billion in 1984, climbing an average of 10% per year to 1992 figures of an estimated \$9 billion. Canadian sales remained relatively flat until an 18% increase in 1988, totalling around \$537 million, and since then have increased yearly by an average of 10%, totalling approximately \$780 million in 1992 (US Department of Commerce, *ibid*; IFPI, 1990: 88, 61, 21; RIAA, 1993: 1-2; cf StatsCan, 1993). While CD sales account for approximately one-third of global sales and about half of Canadian sales in 1992, they surpassed the

sales of cassettes in the US in 1991, and in 1992 held a 57% share of the market, as compared to 40% cassette and 3% vinyl sales. Finally, it appears that rock music is losing some of its lustre representing about half of all North American sales in 1989, falling to around a third in 1992. Country music accounts for around 17%, a three-fold increase from the early 1980s, and rap and soul musics have risen from 12% in 1988 to 17% in 1992 (RIAA, *ibid*; StatsCan, *ibid*).

Reflective of the intensification of the globalization of conglomerate linkages within and between all sectors of the world economy in the mid-1980s, four of the major recording corporations' already huge conglomerate owners were purchased by even larger and more complex transnational conglomerates over the remainder of the decade. General Electric bought the RCA Corporation in late 1985, and uninterested in running a record company, immediately sold RCA-Victor to the privately-owned German media giant, Bertelsman in January of 1986. Operating in over fifty countries, Bertelsman is the largest book and record club operator in the world at the time of purchase, and with its acquisition of Doubleday later in 1986 became the world's largest publishing company. Overall, Bertelsman was the largest integrated media corporation in the world, prior to the Time-Warner merger in 1989 (see below). Over the next two years the conglomerate consolidated its record holdings

into the Bertelsman Music Group (BMG), and while allowing the old RCA-Victor organization to operate in a relatively autonomous manner, eliminated the venerable Victor name from its products (Moskowitz, 1987: 69-73; Smith, 1991: 37-9; cf MacDonald, 1991).

In 1987 Sony of Japan bought CBS Records for \$2.2 billion. Sony was mostly interested in having an in-house producer of software for its CD hardware (and its future 1992 introduction of mini-CD hardware), something it did not have in the battle it lost for the video recording standard between Philips VHS and Sony's Betamax systems in the late 1970s and early 1980s (making their co-venture on the CD a no longer so ironic occurrence whereby one part of a conglomerate cooperates with a part of another conglomerate, while other parts of the conglomerate continue to compete against each other). Sony purchased Columbia Pictures in 1989 in order to have an in-house supply of films for its Video Disc hardware system. In that same year Sony announced another co-venture with Philips to produce digital audio tape (DAT) hardware and software, a CD sound quality tape format, and introduced the finished product to the market in 1991 (Dannen, 1990: 311; Smith, *ibid*: 34-7; Negus, 1992: 4).

In 1989 Time Inc. bought Warner Communications from the Kinney Corporation for around \$12 billion. This was a defensive merger to thwart threatened takeovers by

Bertelsman or Rupert Murdoch's News Corporation. Not only did the purchase create the largest integrated media conglomerate in the world, but, to get some idea of the size of its music holdings, the purchase included Warner Brothers Records, Atlantic Records, Elektra/Asylum/Nonesuch Records, WEA International, WEA Manufacturing, Warner Special Products, Ivy Hill Corporation and Warner-Chappell Music Publishing. In 1990 Time-Warner and Sony signed an agreement to cooperate on global direct marketing of music and home video products, and in late 1991 Time-Warner spun off its film, cable, and cable programming into Time Warner Entertainment, with a minority share of the division (12.5%) going to Toshiba Corporation of Japan, the world's sixth largest electronics corporation (Smith, *ibid*: 24-6; Leblanc, 1990A: 30; Negus, *ibid*; Toronto Globe and Mail, October 30, 1991: B18).

Finally, Matsushita of Japan, the world's largest producer of consumer electronics, VCRs and robots, paid around \$7 billion for MCA in 1990. MCA had already purchased Motown Records outright in 1988, and just before the buyout in 1990 had bought the largest of the late-1980s independent record companies in the US, Geffen Records (Moskowitz, *ibid*: 347-357; cf Shortell, 1991). The other conglomerates in the business continued to scoop up other successful independents, with PolyGram buying A & M Records in the US and Island Records in the UK in 1989; and Thorn-

EMI's half-interest purchase of Chrysalis Records and outright purchase of SBK Entertainment in 1991, and purchase of Virgin Records in 1992, all in the UK (Dannen, *ibid*: 320; Leblanc, *ibid*; Toronto Globe and Mail, March 9, 1992: B1, B4).

In effect these latter transactions gobbled up the last of the large independent record companies in the West, and set up a situation whereby there are now only six immensely diversified transnational corporations which control the global record industry: Time-Warner (US), Sony (Japan), Matsushita (Japan), Philips (Holland), Thorn-EMI (UK) and Bertelsman (Germany). All of these corporations are involved in hardware and software production, except for Bertelsman which so far has avoided hardware manufacturing. Unlike the situation in the film industry where most multinational purchasers "send in the accountants" to run the film companies, the policy in the record industry vis-a-vis the international conglomerates has been hands-off. The same cannot be said however for the relationship between the individual foreign branch record companies and their record label headquarters company, which in the case of Canadian branch record labels are all located in the US. (The international majors have generally devised a geographical division of headquarters record label companies into Asia, Europe and the US). According to Larry Leblanc, editor of Billboard Magazine in Canada, and CIRPA, the budgets and

record release schedules of the branch labels are set in the US. This would supply an explanation why they are responsible for an average of only 29% of the Canadian content releases over the last decade, and why their average annual investment in Canadian artists and their records totals only 4% of their annual expenditures, most of which is going to established Canadian stars; even though they have represented about 90% of all records released and revenues in Canada, and have received about 85-90% of their revenues from leased foreign master tapes over the same period (StatsCan 1985; 1989; 1992; DOC, 1987: 53; Mair, int., 1993).

Canadian entertainment lawyer Stephen Stohn gives evidence of the effects of the current structure of the CRI:

The US companies look down on their Canadian counterparts, and vice versa. They're set up to be 'islands' of profit centers and they're basically accountant-driven. If the US company has the choice between selling a Canadian artist, or one of their own, they say 'Hey, let's promote our own artist. We've just sunk \$250,000 to \$5 million into it, so why should we worry about promoting one of these Canadian artists! This is true with a number of companies, I fear.

(in Canadian Musician, June 1990: 4)

The brass ring in the CRI remains as it always has, the signing of a US recording contract: over thirty of Canada's top acts have signed directly with the US headquarters corporations over the past five years. Beyond this, Canadians do control the majority of companies and revenues

in record manufacturing, retailing and sound recording operations in Canada, but they remain a 10% minority in terms of industry revenues, distribution and promotion, the three most important sectors of the industry. Much of the blame for this situation can be placed in government inaction. The following review of government regulation pertaining to the field demonstrates how the lack of minimum Canadian ownership levels, promises of performance from subsidiaries operating in Canada, and chronic underfunding has ensured, and continues to ensure, that the Canadian recording industry is barely Canadian.

CHAPTER THREE: Government Policy and the Canadian Recording Industry

Regulation of the Canadian cultural industries has always been a product of the struggle between economic development and cultural sovereignty. Over the last twenty years or so the regulatory sphere in Canada has quite quickly been transformed from one predominantly guided by cultural concerns to one based on an industrial model of development (Raboy, 1990: 216-18). It would be a mistake however to see these two concerns as being mutually exclusive, or as the only two factors which come into play in the formation of cultural regulation. In regards to the Canadian recording industry, resistance to culturally-motivated legislation and government policy has come from those who would prefer that market forces would solely determine what music gets on the air and sold in the stores. This corporate resistance in the CRI, unlike that in the Canadian publishing, film, television and cable industries has been traditionally weak chiefly because there has been very little in the way of regulation against which to resist.

Except for the incidental effects of general import tariffs, Canadian Federal and Provincial Governments have

virtually ignored the recording industry in Canada. Whenever specific legislation has arisen, it has been similar to the historical Canadian governmental responses to new developments in telecommunication activity, whereby "legal/policy frameworks most usually have arisen after the fact to justify or cope with what industrial power had already consummated" (Babe, 1990: 20). The main difference between this legislative treatment and that directed at the CRI is a matter of timing. While Canadian ownership requirements in the radio and television industries came into effect with a 1969 Order in Council, there has never been an attempt to address ownership in the CRI. While regulations about the amount of Canadian-originated content on Canadian television stations were instituted in 1959 by the Board of Broadcast Governors (BBG), seven years after the first TV station in Canada was established, content requirements for the music industry, specifically directed at radio broadcasters, took another twelve years to appear, a full forty years after XWT's emergence (CRTC, 1974; Elkin, 1972: 238).

The reasons for this neglect are many and varied. The CRI has never been seen as a significant economic sector of Canadian industry: "from an economic perspective, the industry is relatively small, and categorized as part of the 'miscellaneous' manufacturing group" (Audley, 1983: 141). The radio industry, inextricably linked with the CRI, has at

least for the last quarter century been seen as culturally less important than television or telecommunications. More generally, since the mid-1940s a "generation gap" of sorts separating those participating in the CRI and those in charge of governmental regulation of the industry has created an atmosphere of disdain for the purposes, behaviour, and products of a "low-culture" entertainment enterprise. The (curiously) low profile of CRIA, the delay in establishing and underfunding of CIRPA, along with a general lack of Canadian press coverage of domestic music before the early 1970s have all contributed to a disregard of the CRI's place within the other Canadian cultural industries, and prevented the formation of a comprehensive legislative approach to the industry.

In this chapter I will first review the more general area of cultural regulations that have effected the CRI, including content requirements and copyright legislation. Part two will contain a description and evaluation of Federal and Provincial government assistance programs which are either directed specifically at the CRI or include it within broader mandates. Lastly, I will review the Federal trade policies and devices which the CRI must operate within, including tariff structures, the Free Trade Agreement, and investment review procedures.

Part 1: Cultural Regulations

Canadian Content Regulations

...the DJ's are oriented to regional hits. Or else they follow the US charts. Canadian stations are afraid to program Canadian

(Walter Grealis, founder RPM magazine in Batten, 1964: 46)

Please don't mention my name. Our program director picks all the music and he's anti-Canadian...I'm looking for a new job with another station.

(letter to RPM from anonymous Canadian DJ, in ibid.)

Long before the term "Canadianization of the airways" held the negative connotation that describes filling European television systems with American programming, Canadianization was used by proponents of Canadian content requirements for radio broadcasters. The BBG had suggested establishing levels as early as the mid-1950s (Ford, 1982: 189). By the late 1960s many groups including the CMPA, RPM magazine, and other recording industry participants were putting pressure on radios' governing body to institute legislation similar to the television requirements it had created in 1959.

While the regulations would obviously be of welcome assistance to a fledgling independent sector of the CRI, they were seen by members of the radio industry, represented by CAB, as a threat to their survival. Their argument was that Canadian radio listeners were not interested in

listening to Canadian music. And even if they were, which some successful Canadian artists were proving by making the charts in the 1960s, strict requirements would be impossible to reach because of the lack of quality Canadian material available. Beyond the Catch-22 nature of this reasoning, to many Canadians, especially struggling musicians and their recording companies, "private radio broadcasters were singled out as having collaborated in the colonization of the industry, on the grounds that they had refused to sacrifice audience share (and hence advertising revenue) in order to promote Canadian artists" (Wright, 1991: 307). The CRTC did not want to be seen as enacting legislation punishing the radio industry, but at the same time private radio broadcasters did not want to be seen as anti-Canadian. As a result, CAB kept a low profile during the discussion of the regulations, and the Canadian Content (CanCon) requirements went into effect in January of 1971.

The legislation stated, in relation to AM stations only at this point, that...

At least 30% of the musical compositions broadcast by a station or network operator between the hours of 6:00 am and 12 mid-night shall be by a Canadian and shall be scheduled in a reasonable manner through-out such period

(CRTC, 1970: Para. 12.1)

For the first year, "Canadian Content" records were those that met one of the following four criteria:

- a) the instrumentation or lyrics were principally performed by a Canadian.
- b) the music was composed by a Canadian.
- c) the lyrics were written by a Canadian.
- d) the live performance was wholly recorded in Canada

(Ibid: Para. 12.5)

As of January 1973 CanCon material would have to meet two of the conditions, which began to be referred to as the MAPL formula (Music, Artist, Production and Lyrics). Also as of this date, at least five percent of the music broadcast between 6:00 am and midnight had to have music or lyrics that were composed by a Canadian.

After only one year the regulations were being viewed as having had a significant impact on the CRI:

Two years ago, there was only one 16-track recording studio in the country. Now there are five, and one 24-track studio in Toronto, one 32-track studio in Montreal, and other facilities spreading root from Halifax to Vancouver. Performance royalties paid to Canadians by CAPAC....have increased....Foreign-owned record companies are increasing their outlays on Canadian talent. Columbia Records of Canada reports it has tripled its Canadian A & R budget in the past two years. Capitol Records Canada says Canadian records now account for 15% of total sales, vs 3% in 1967-8.

(Financial Post, Feb. 19, 1972: 4)

The CRTC was also expressing satisfaction with the early results, with Doug McGowan, Chief of the Radio Programming Division, feeling that "the Canadian content ruling has forced the broadcast management to hire creative and highly knowledgeable programming talent in order to meet the 30%

requirement and still keep their audience" (Matlin, 1973: 19). Even CAB found it difficult to argue their economic deprivation thesis in that broadcasting profits remained healthy throughout the 1970s (CMDC, 1981: 30).

With the emergence of FM radio popularity during the late 1960s and early 1970s, the CRTC decided to extend the CanCon requirements to the FM radio band in 1976. Here the regulations were geared to particular formats (i.e., popular music 20%; country music 30%; jazz, easy listening, and classical 7%). They also attached a "repeat factor" to FM regulations whereby stations were only allowed to play a particular song a maximum of 18 times per week (CIRPA, 1987: 28).

Although the CanCon requirements were fairly straightforward, private radio broadcasters found ways to circumvent them. In what has been labelled as a "beaver hours" programming schedule, quotas have been met in dubious ways. These practices include playing CanCon in non-peak hours (10:00 am to 2:00 pm; 10:00 pm to midnight). One study carried out by CIRPA in the early-to mid-1980s found that two of Toronto's top AM pop stations were "playing zero and 15% Canadian content during the peak 7-9 morning drive time, and 100% and 70% CanCon during the hours of 10:00 pm-midnight" (ibid.). Many stations would also play particular Canadian recordings at such a low rotation level that "audience familiarity" was difficult to establish.

This is a result of most radio stations having "A" (heavy) and "B" (medium to light) rotation lists, the latter existing solely to fulfill the quotas. As Bruce Allen, manager of Bryan Adams, stated at a 1980 CRTC public hearing in Vancouver:

Here's how it works. At a Canadian radio station, when a new Canadian release comes in, it's not judged on its merits and put into a certain rotation on that basis. Instead....it gets put in what, at a lot of stations, is actually called 'the ghetto': the Canadian playlist. It doesn't matter how good it is, it'll never break out of that pigeonhole onto the stations's 'A' list.

(in Leblanc, 1990B: 20)

Even when Canadian records are fairly successful, many record industry participants claim that there are two unequal levels of heavy rotation. The more frequently played artists are those Canadians who are signed directly to a US recording contract, while the less frequently played are those who are either signed to a Canadian subsidiary label or independent company (ibid.: 20-6).

The other major way that radio gets around CanCon requirements is by relying heavily on previous Canadian hit songs, commonly referred to as the gold formula. Although formally meeting the CRTC's regulations, this practice in effect violates the spirit of the law by shutting out new Canadian talent, or current projects, from radio exposure. Capitol-EMI Records executive, Olie Kornelsen, put the problem this way:

Stations will ask, 'why should I play a new Burton Cummings track when I can play a Canadian gold track like the Guess Who which has already proven itself? What's to stop me from playing a Canadian gold track that I know has performed better over the years than something new I may not feel comfortable with?'

(in *ibid.*: 28)

Two offshoots of this circumvention are "instant" Canadian gold records and "emergency" CanCon lists. The first of these is when a hugely successful Canadian album appears, up to five singles from it will be put into heavy rotation whether they deserve it or not, serving to take up time which could have provided exposure for another Canadian artist (*ibid.*: 23). The latter of these is a list of quite short, usually under two minute, Canadian songs which can be thrown on at the end of an hour's program to make up for a shortfall in an assigned playlist (Berg, *int.*, 1993).

These radio station practices vis-a-vis Can Con regulations lead to a cyclical problem with Canadian record charts. Although a new direct sales reporting system is currently being put in place in order to have record charts which more accurately reflect actual sales figures, all record charts in Canada are still formulated from a combination of reviews of sales totals and radio airplay. If a record is not being played, or rarely played, due to the reasons discussed above, it has less of a chance of making the charts. If a record is not charting, subdistributors are reluctant to carry it, and retail stores

are less likely to request it from them. This is another vicious circle that all Canadian musical talent must negotiate.

Considering these difficulties, and at the behest of CIRPA and CRIA to increase CanCon levels for FM formats that were not yet at the 30% level of airtime, the DOC included a CanCon performance survey in its 1986 "Report of the Task Force on Broadcasting Policy". It was found that combined AM and FM Canadian content levels had fallen from 28.1% in 1975 to 25.9% in 1985 (Bergeron, 1986: 165). This was the first and only time the CRTC has ever monitored the system in such a comprehensive manner. Due to budgetary constraints, even reviews of performance necessary when individual radio station licenses were up for renewal were dependent in many cases on information supplied to the CRTC by the stations themselves. Thus, the results of the study were expected, and as the Bergeron report concluded, "unless regulations can be monitored and enforced they are not worth the paper they are printed on" (ibid.: 8). Unfortunately the CRTC has not yet heeded this advice, and further, due to the Conservative government's delay in bringing forth a new Broadcasting Act until 1991, FM regulation changes were not instituted until that time. The new requirements for FM increased the CanCon levels to 30% for popular music formats, and to 10% for jazz, easy listening, and classical formats (ISTC, 1991: 5).

Much of the discussion about CanCon regulations over the last decade centered around the failure of the requirements to produce more international success for Canadian artists and record companies (Quill, 1984; cf Wright, 1991: 311-16). However, many in the industry see this as a misreading of the intent of the original legislation. As Al Mair, president of Attic Records and CIRPA, stated before the Commons committee examining the Free Trade Agreement in 1988,

To the industry, the Canadian content regulations are a support mechanism to get our artists established....They (radio listeners) are being exposed to Canadian performers, and I suggest on the cultural level that is the most important aspect of the 30% or 20% regulations on radio. It is not just to sell records

(in Bronskill, 1992: 163)

Further, the CRTC has many times pointed out that the CanCon regulations were an inadequate means to stimulate the Canadian-controlled portion of the industry. Instead, the CRTC stressed the importance of self-stimulus in both the radio and recording industries, and it also repeatedly advised that direct government incentives were essential for a healthy independent recording sector (Bergeron, *ibid.*: 3). As we shall see, the Federal government eventually responded to these recommendations (see part two of this chapter).

Overall, the general consensus of both the Canadian radio and recording industries is that CanCon regulations

have accomplished what they set out to do, which was to create a space for Canadian music on its own airwaves. Although there is some remaining tension between some radio programmers who see the requirements as an impediment, and the recording industry which views them as an essential stimulus, the 1983 CHUM Report sums up the situation quite well: "A healthy Canadian record industry means a healthy radio industry, or are we all planning to switch to all-news and talk formats?" (in Leblanc, *ibid.*: 5).

This is not to say that the CanCon regulations are without continuing classification difficulties: for example, some foreign artist's records were seen as Canadian because the music and lyrics were composed by a Canadian; or the Bryan Adams controversy, whereby his 1989 album release was classified as non-Canadian because he co-wrote all the songs on the album with an American, and had recorded the album in the US (Toronto Globe and Mail, January 15, 1992: C1, C3). After much discussion in the industry and the national press, the CRTC made allowance for foreign co-writers in January of this year (Toronto Globe and Mail, January 30, 1993: C8). This is too recent a decision to judge the results, and by the time that the controversy erupted, attention within the CRI had shifted to changes in the Copyright Act which had not seen major revisions in over sixty years, and to the performance of the government assistance program for the CRI instituted in 1986.

Copyright

Canada has been a signatory to most of the major international copyright agreements over the past century or so. Beginning with the 1886 Berne Convention, and the 1928 Rome revisions, following through to the 1952 Universal Copyright Convention, Canada has acted to protect intellectual and artistic ownership and royalty payments in a fairly straightforward manner. Canada's first Copyright Act was passed in 1875, and was later overhauled in 1921 (Mills and Spurgeon, 1991: 167). Over the past thirty years however there has been much pressure put on the Federal government to update the 1921 statutes, with much of that pressure coming from the CRI in order to take into consideration the capabilities of new technologies and techniques, and other general inequities, that had made the old provisions obsolete, if not punitive. Before going on to review the recent changes in the Act, I should first explain the basics of the copyright arena in Canada.

Copyright in relation to the recording industry is split into two basic rights. "Mechanical rights" are those pertaining to the reproduction of music on any physical format (i.e., records, tapes, CD's, etc.). These rights also include "synchronization rights", which is where a piece of music is used in films and television programs, and "sheet music rights" where reproduction is on paper. In

Canada these mechanical royalties are collected by the Canadian Musical Reproduction Rights Agency Ltd. (CMRRA) in Toronto, and in Montreal by the Society for Reproduction Rights of Authors, Composers and Publishers (SODRAC). Most artists have agreements with publishing companies who collect the royalties from these licensing/collecting agencies (less their five to ten percent service charge), which in turn are usually split between the artist and the publishing company. Each individual song is licensed for Canada and the world, and the collecting agencies have reciprocal agreements with the seventy or so international collecting agencies. The major exception to this pattern is self-publishing songwriters, who receive 100% of the royalties directly from the collecting agencies (less their fee), but who are also then not privy to the promotional networks that publishing companies offer (Sanderson, 1985: 24-5; Coxson, 1988: 125).

"Performing rights" on the other hand are "blanket license" agreements that apply whenever an artist's music is played on radio and television stations, and in nightclubs or concert settings. There is one non-profit performing rights collecting agency in Canada, the Society for Performers, Authors and Composers of Canada (SOCAN), which is a 1990 combination of two formerly separate organizations, the Composers Authors Publishers Association of Canada (CAPAC - est. 1925) and ProCanada Ltd. (PROCAN -

est. 1947)). The Copyright Appeal Board sets the blanket license fee for each media, the latest of which for radio play is for example 3.2% of annual gross revenue (Rosen, 1990: 12). After an extensive monitoring of the various media and venues to determine who is due royalties, these monies are distributed to music publishers on a quarterly basis, who in turn split the monies with their clients (Coxson, *ibid.*: 118-21).

During the 1970s and 1980s the recording industry in Canada identified five areas where the 1921 legislation was particularly weak, three of which have been acted on in the last five years. The first of these areas deals with the amount of money that copyright owners received as mechanical rights per song in any audio reproduction format. This rate had been set at two cents per song in the 1921 Act, and it was traditionally seen as a contributing factor in Canadian artists signing contracts directly with US recording companies because US copyright owners received six cents per song. (Remember, these are basic rights; individual artists could bargain with their record company for much higher royalty rates.) The 1988 amendments to the Copyright Act increased the Canadian rate to 5.9 cents per song title as of January 1, 1991. One of the other amendments also partially addressed a second major concern of the industry, piracy. Penalties for piracy, or bootlegging, under the old Act were set at a maximum of only a \$200 fine. The new

amendment is much more strict, with fines of up to a million dollars and five years in prison. A tax on new home recording equipment, and on blank tapes or CD's, was a related third concern which the recording industry had also pointed out, which has not been acted upon so far by the Copyright Board 'CIRPA, *ibid.*: 30-1; *ISTC*, *ibid.*: 5).

The two other copyright areas needing attention according to the CRI both involve cable transmission reimbursements. Because court decisions guided by the old Act had treated cable transmissions as a private rather than public performance, cable companies in Canada have not paid retransmission rights for either songs contained in television programs that they broadcast, or for Canadian radio stations that they carry in audio-only packages. (Much of the impetus for dealing with retransmission rights came from copyright provisions agreed to in the Free Trade Agreement with the US - see below.) Amendments passed in 1990 took care of this latter concern, with the radio and recording industries splitting the retransmission royalties for radio play over cable (approximately \$300,000 in 1993) (*Insight*, 1991: 1). The former problem is still to be dealt with, although it should be noted that the cable station in Canada that broadcasts the most music programming, Much Music, agreed to pay a voluntary royalty rate to songwriters from its inception in 1984 (*Rosen*, *ibid.*: 40-1; *Insight*, *ibid.*: 2).

Part 2: Government Programs

Federal Level

After many appeals from various members of the CRI and the CRTC, the Federal government established the Sound Recording Development Program (SRDP) on May 9, 1986 under the guidelines set out in its 1985 white paper, "Initiatives for the Radio and Recording Industries" (Canada, HOC). Headed up by the Department of Communications, the fund consisted of \$25 million over a five year period, with the monies being divided into English (60%) and French (40%) industry support mechanisms. Approximately 70% of the monies would be spent on direct loans for sound recording projects, which would be administered by FACTOR in Toronto and MUSICACTION in Montreal respectively. The remainder of the fund would be applied to music video production, international tour support, international marketing, and specialty music production and distribution (i.e., jazz, classical, and ethnic musics). These functions would be administered directly by the DOC in consort with the Canada Council. The fund was reinstated as a permanent program by the Federal government in 1991 without making any major adjustments to its administrative structure, disbursement procedures, or more importantly its funding level (Toronto Globe and Mail, June 13, 1991: D5).

Many in the industry not only felt that the fund was long overdue and that the level of funding would prove to be inadequate, but that it was in effect simply a return to the industry of approximately one-fifth of the average annual federal sales tax generated by record sales (The Music Scene, January/February, 1986: 9). Added to this, it was felt that because there were no accompanying measures to support increased radio airplay of SRDP funded projects, or to establish a Canadian-controlled national distribution system, the mandate of fostering a healthy Canadian independent industry would not be realized.

In reviewing the ensuing performance of the SRDP program vis-a-vis the performance of the independent portion of the CRI, it is quite clear that the fund has been fairly ineffectual as to increasing overall independent sales or their share of industry profits. While the foreign subsidiaries captured around 85% of total sales in Canada between 1987 and 1989, they accounted for 90% of sales during 1990 and 1991 (StatsCan, 1992: 1, 7). Further, since the initial misgivings discussed above, the English recording industry has identified five significant problems with the ways in which the SRDP distributes its monies.

The major problem stems from the makeup of the Board of Directors of the administrative body, FACTOR, and the cross-purposes of radio broadcasters and the recording industry. Because of the fact that half of the ten board members are

radio executives, including the President, with the remainder being recording industry professionals, only three of whom belong to CIRPA: commercial radio viability became a criteria for judging eligible sound recording projects. This means that mainstream pop music, especially that which meets an international (read US) standard, is favoured over more imaginative music or projects with a specific Canadian appeal (Laroche, 1988: 87). Canadian radio stations view the CanCon levels as maximums not minimums, and what they want are records which resemble other hits, most of which are foreign recordings. Further, independent recorded product that does get funded in this section of the program must provide proof of having a national distribution agreement in hand, all of which are foreign-controlled and which generally carry less than 15% CanCon; or they must agree to pursue national distribution on their own within 90 days, a task way beyond the reach of most independent record companies in Canada (SRDP Info Guide, nd).

The second major problem with SRDP/FACTOR is the ways in which more established Canadian artists, or more accurately their managers and producers, continue to rely on funding. Recent releases by successful musicians such as Triumph, Rush, Bruce Cockburn and Tom Cochrane have received assistance from the program, which means that deserving new talent have received less or no monies from the fund:

FACTOR/SRDP has established a 'welfare state' for successful Canadian recording

artists, or more to the point their record companies, who make money already, so why do they need assistance?....That's what Bryan Adams was talking about, not that the Canadian music scene was or is mediocre, but that artists and their management get used to the support of the government tit and won't disengage

(Leblanc, int., 1992)

The third difficulty is related to regional disparities in funding allocation. Although SRDP/FACTOR has a branch office in Vancouver, "feelings of mistrust and suspicion of FACTOR....were relatively common outside of Toronto, especially in Western Canada" (Ekos Research, 1990: 62-3). This position is supported by the fact that about half of the total number of CanCon albums appearing on Billboard's US Top 100 during the 1980s were performed or written by British Columbian artists (BCMIA, 1990: 2), while only about 15% of SRDP/FACTOR funding has been allocated to the Province, with almost 60% of funding going to Ontario artists (Ekos Research, *ibid.*: Appendix D). The last major complaints are that none of the government funding has been directed to the establishment of an independent Canadian-controlled national distribution system, and that there are no monies available for domestic touring support (Berland, 1991: 322).

In summation, the fund was very late in coming to the table and the overall results have been ambiguous at best. The major foreign subsidiaries are left with complete control over national record distribution, and many of the

Canadian products they distribute from Canadian independent companies (as a condition of continuing to operate in Canada--see below, foreign investment review procedures) have been subsidized from the public purse, which in effect subsidizes the major's obligation to develop Canadian talent. Further, "world class" products that have more of a chance for international success seem to be privileged over other non-mainstream musics, and inequitable regional distribution of monies remain as difficulties that have not been adequately addressed. Finally, all of the programs under the jurisdiction of the DOC, including the SRDP, are earmarked for funding rollbacks in the Federal government's recent final budget before the Federal election (Toronto Globe and Mail, April 27, 1993: c1). It is difficult to say if a change in government will bring about the necessary changes in the purposes and funding levels of the SRDP.

All other Federal government programs that the CRI has access to are involved with either international touring, export support of Canadian recordings, or capital cost investment. The key word here is access in that none of the following programs are specifically directed to the recording industry, and all require recipients of government funds to be fairly well established in terms of financial security and industry reputation. This results in the greater majority of independent Canadian recording firms being disqualified from receiving these monies. Further,

none of the programs discussed below make a concerted effort to publicize their availability to the CRI, and none "break-out" figures as to the proportion of their expenditures which have gone to the recording industry.

Within the External Affairs and International Trade Department, under the auspices of the Export Development Corporation, international touring support is offered to "qualified" musicians (read already established) in the form of grants through their Arts Promotion Program. Very little of this money however goes to popular music performers, in that this particular program is more concerned with classical orchestra and visual art support. Some monies are available for the promotion and marketing of Canadian music at international trade shows, such as MIDEM, that CIRPA and many Canadian musicians have attended over the years (Rosen, *ibid.*: 42-3). The Department's Program for Export Market Development, the New Exporters to Border States (NEBS), and the New Exporters to US South (NEXUS) all offer shared cost grant assistance for trade missions or convention attendance, and for legal assistance in the creation of international wholesale contracts; while their Technological Inflow Program (TIP) funds foreign "working visits", and provides assistance from Canadian diplomatic posts around the world, in relation to acquiring new manufacturing or consumer product technology for import into Canada (Communications Canada, 1991: 12-14).

Not unlike other small to medium-sized businesses in Canada, Canadian record companies can apply for term loans from the Federal Business Development Bank, or the Industry, Science and Technology Department's Small Business Loans Act program. The only other Federal program available to the CRI is an entry level job subsidization plan through Employment and Immigration Canada (ibid.: 17, 21-2).

Provincial Level

Quebec is the only Province that has a program specifically intended for the development of the music industry. The Societe General des Industries Culturelles Quebec (SOGIC) was established in 1980, and has had an annual budget of around \$20 million, one-third of which is devoted to the sound recording industry. It offers monetary assistance in all aspects of the business on a short-term individual basis, including recording, music video production, touring, and information and advocacy services. SOGIC is also the only government program at any level in Canada which offers long-term capital loans and direct equity investments to Canadian record companies, a practice which many in the industry see as the only path for the CRI's long-term survival (Rosen, ibid.: 43-44; CIRPA, ibid.: 35, 43-4).

The only other assistance programs that are offered by provincial governments are intended for the general business

community, and are funded to a significant degree by Federal transfer payments. Those with record companies in their mandates include the Western Economic Diversification Canada program based in Vancouver, the Atlantic Canada Opportunities Agency in Halifax, and the Ontario Small Business Development Corporation out of Toronto. All offer grants for market feasibility studies, and loans and guarantees for the purchase of land, construction costs, and overhead allocations (Communications Canada, *ibid.*: 23-26; CIRPA, *ibid.*: 43).

Part 3: Trade Policies

Tariffs

Canada has pursued some form of tariff policy ever since John A. Macdonald instituted the "national policy" in 1879. Historically, tariffs have been a sensitive issue between nations, with those outside the country imposing the tariffs looking upon them as protectionist measures, while those within the country see them as measures taken to avoid foreign control over their markets. To somewhat alleviate these tensions, many nations who have traded with each other most heavily have adjusted their tariffs downward for "most favoured nations". Canada entered into this type of agreement with Britain in 1880. Thus, as the Canadian recording industry began to be established at the turn of the century, the tariff that Canada imposed on British

recordings stood at a preferential rate of 20%, while for US recordings it stood at 30% (Moogk, 1975: 59; cf, Thibault, 1988: 1302).

These tariff rates remained steady until World War I when an additional 7.5% war tax was levied on all imported records and phonographs. As the depths of the Depression settled in, and as high tariff policies began to be seen as contributing to the length of the economic disaster, Canada and the US signed most favoured nation agreements in 1935 and 1938, which set the tariff level on manufactured goods being imported into Canada at 15%, including manufactured audio products, while the US rate on imported Canadian products was adjusted to 3.7% from 5%. This was followed by Canada and the US signing the General Agreement on Tariffs and Trade (GATT) in 1947 (Wilkinson, 1980: 35-7).

The tariff rates on records between Canada and the US were not effected by the original GATT, but subsequent rounds of GATT talks, and sectoral negotiations between the US and Canada, brought downward pressure to bear on the most favoured nation tariff on audio products. By the mid-1980s the rate on US imports to Canada was reduced to 13.7% on vinyl records, 11.3% for prerecorded audio tapes, 9.5% on CD's, and 10.3% on master tapes (ISTC, 1991: 4; cf Woods, 1983: Appendix IV).

CIRPA and others in the CRI were wary of any further reductions of these tariffs, while many looked to the

Federal government to adjust its policy on foreign master tape importation (Audley, *ibid.*: 172; CIRPA, *ibid.*: 32). Instead, the Tory corporate agenda was heading the government in a different direction with its efforts at striking a comprehensive trade policy agreement with the US whereby tariffs would be phased out altogether, and any type of cultural protection measures could be seen as non-tariff barriers to a "level playing field".

Canada-US Free Trade Agreement

"They don't call Canada the candy store for nothing."

(Time Magazine executive, 1975;
in Thompson, 1992: 275-6)

Despite repeated assurances that culture was not on the table, and that Canadian efforts to promote its cultural industries would not be impeded by way of the Free Trade Agreement (FTA) with the US, Canadian negotiators bargained away the most important feature of its trade policy in regards to the CRI. Although Article 2005.1 of the FTA stated that "Cultural industries are exempt from the provisions of this Agreement", it then went on to make a major exception to this position in the area of tariff reductions in Article 401 (among other exemptions specifically related to retransmission rights in the Canadian cable industry, and the Canadian magazine industry's domestic typesetting requirements). Under the

trade agreement, which went into effect on January 1, 1989, all tariffs on sound recordings regardless of their format would be phased out over a ten year period (International Trade Commissions Group, 1988).

The implications of this particular provision for the CRI were threefold. The most obvious of these would be that whatever manufacturing that the major foreign subsidiaries in Canada continued to carry out would be eliminated, combined with the fact that the economics of scale achieved by American manufacturing plants would serve to take away business from Canadian manufacturers. This would also mean that distribution in Canada could potentially be supplied from the US because the agreement eliminated the necessity of the foreign majors maintaining an east-west national distribution system. Finally, it could also eliminate the necessity of maintaining branch operations in Canada altogether.

If this were to be the case, many in the industry saw the only possible solution coming from substantial government assistance in the construction of a Canadian-controlled national distribution system, and a massive injection of funds into the SRDP (Flohill, 1988: 18-22). Unfortunately, further explicit provisions in the FTA would prohibit, or at least make very difficult, any such actions. The "notwithstanding clause" in the deal allows the US to retaliate against any measure that the Canadian government

would take to protect or promote any cultural industry; to "take measures of equivalent commercial effect" in any industrial sector, not necessarily limited to the cultural sector; and to do so without having to notify Canada beforehand (Comor, 1991: 254). Although this provision was "grandfathered", in that any cultural policies and programs in effect at the time of the agreement would be allowed to stand unchallenged, it meant that all subsequent government action in any area of the CRI, or any cultural industry for that matter, could be challenged. For example, any future increases in Canadian content requirements for radio broadcasting, or increases in the SROP budget, could be seen as infractions of the FTA worthy of retaliation.

This was also reinforced by various other provisions in the FTA, including clauses dealing with: the inappropriateness of the Federal government setting up Crown corporations to address inequities in the Canadian economy (Article 2010); the prevention of the Federal government imposing performance requirements on foreign firms operating in Canada (Article 1603); and the inclusion of retail record stores in Article 1401, covering almost 300 service industries in Canada, meaning the elimination of Canada's ability to regulate the distribution system which serviced those stores (Comor, *ibid.*: 250-1; Bronskill, 1992: 206-8; cf Mosco, 1990a).

Within the envelope of secrecy that the FTA was negotiated, the Federal government was well aware of the potential damage of the deal to the CRI. A series of three reports were commissioned during 1987 and 1988, all of which were not publicly available until after the deal was struck, and which warned the government of the possible devastating effects of the various FTA provisions to the recording industry (DOC, 1987; Donner and Mogil, 1987; Woods, 1988). CIRPA did manage to acquire a copy of the Donner and Mogil report the day of its 40-minute presentation before a House of Commons committee reviewing the FTA legislation in July of 1988, which devoted a whole two hours to "cultural issues" (Bronskill, *ibid.*: 127-9). The report laid out a very negative interpretation of the deal's effects on the CRI, and Al Mair, president of CIRPA, told the committee that...

It supports almost everything we suspected...It will require massive government support to even retain what we now have, because I would not expect it to come from private industry...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 what is a subsidy and what is not....The notwithstanding clause destroys the (record industry's) exemption...and as long as there is the notwithstanding clause, we are dead in the water.

(CIRPA, 1988: 2-3)

CRIA did not bother to make a presentation to the committee, mostly due to the mixed feelings of its members towards the FTA (Bronskill, *ibid.*).

The Federal government, ignoring its own reports and CIRPA's warnings, proceeded to include the CRI in the FTA. This was in keeping with the original proclamation of the government's intentions to pursue a comprehensive trade agreement with the US, as contained in the 1985 Macdonald Commission report on the future of Canada:

Our proposals...to enter into a free trade agreement with the US reflect our general preference for market forces over state intervention as the appropriate means through which to generate incentives in the economy, from which growth will follow.

(Canada, 1985: 66)

In relation to the independent Canadian recording industry, this corporate agenda has never worked, and is not working now. Four years after the FTA went into effect, imported audio products have climbed from 7% of total revenues in 1981 to over 11% in 1991 (DOC, 1988: 5; StatsCan, 1992: 14, 21), while the average tariff rate on imported recorded products has fallen to 4.3% (Canada, 1992: 450). Fulfilling the various report's warnings, more and more Canadian musical artists are by-passing the foreign subsidiary record labels, signing instead with the US-based (but often foreign controlled) headquarter companies. The main reason for this is that, with the implementation of the FTA, there is even

less decision-making power in the Canadian subsidiaries. (Leblanc, int., 1992). Although there are certainly other factors that come in to play in the Canadian and international recording industries which also effect the shifts referred to above, there is no doubt that the FTI is working: it's just not working for the CRI.

Foreign Investment Review

Canada's official policy towards reviewing foreign investments, foreign takeovers of Canadian firms, and changes in ownership of foreign subsidiaries in Canada has been traditionally ambiguous and ineffectual. However, unlike the treatment of the tide of foreign, mostly US, control through investment and ownership in the raw materials, energy production, and finished manufactured products sectors of the Canadian economy, foreign investment and ownership in the cultural sector has been discouraged. For example, majority Canadian ownership has been required in the broadcasting and cable industries since 1969. Unfortunately, this has not been the case in the periodical, book publishing, or film industries, nor as we have seen in the recording industry. In sum, overall investment and ownership policy in regards to the cultural sector have been inconsistent at best (Hannigan, 1991: 266-7).

In order to deal with the ambiguous nature of government policy towards foreign investment and ownership

in Canada, and in response to the Watkins Report (1968) and the Gray Report (1972), Pierre Trudeau's Liberal Federal government created the Foreign Investment Review Agency (FIRA) in 1973. The legislation meant that, as of April 1974, foreign acquisitions of Canadian companies, and as of October 1975, new foreign businesses, worth over \$5 million would be allowed only under certain conditions. The factors under consideration in these reviews included: the effects of the new investment on Canadian employment, economic activity, competitiveness, productivity, technological development, and product variety; the number of Canadians involved in management; and the compatibility of the new investment with national economic policies (Franks, 1988: 808).

Although FIRA approved about 90% of all the proposals that came before it, it was heavily criticized by the Canadian and international (mostly US) business community for its lack of quantifying the requirements and its operational secrecy (Lilley, 1981: 49). In response, by the early 1980s the Liberal government began to pull back on some of the requirements and upped the minimum level of investment to be reviewed to \$25 million. The Conservative government further attacked FIRA as a major impediment to foreign investment in Canada. As a result, FIRA became Investment Canada in 1985, with a new mandate to promote foreign investment in Canada; and with the passage of the

FTA in 1988, to only review those investments, takeovers, or new businesses worth over \$150 million (Comor, 1991: 251-2). The only exception to this rule would be any transactions in the cultural industries, but even here a review will not take place unless the Federal cabinet decides that it is warranted; and when reviews of changes in the ownership of foreign conglomerates that have resonated in Canadian branch record labels have taken place since 1985 the results have essentially been the same.

The requirements within a review involved with a particular cultural industry by Investment Canada are just as loose as FIRA's were, with no legislated policy guiding the review, but with a basic guiding principle that foreign companies should be "good corporate citizens" in Canada. For those mergers and takeovers that effected the CRI between 1985 and 1992, this translated out to very tenuous, flexible requirements such as continuing to promote Canadian talent, and to continue allowing Canadian independent record companies access to the multinationals' Canadian distribution system. According to Peter Caskey, director of investment review for the agency, some type of dollar figure is attached to these requirements, and the companies involved are monitored three times over an average five-year review period to check on their performance. These monetary levels and periodic review reports, however, are not made public because of Investment Canada's and the company's fear

of affecting the competitiveness between the foreign conglomerates operating in the CRI. It is interesting to note that what was once criticized as "secrecy" by the business community is now put forth as "confidentiality" (Caskey, int., 1993).

Further, in relation to Article 1603 in the Free Trade Agreement, these performance requirements are now illegal, but it is impossible to know how that effected the latest merger reviews in the recording industry, or the negotiations of participation levels in the Canadian music business. Finally, in relation to the seemingly imminent North American Free Trade Agreement (NAFTA), and to the Canadian record distribution system that is wholly controlled by the foreign conglomerates' record labels in the US, it appears that Investment Canada has most likely lost the power to even require that these companies maintain domestic warehouses or offices. Under the terms of the pending NAFTA, Canada cannot...

require a service provider of another NAFTA country to establish or maintain a residence, representative office, branch, or any other form of enterprise in its territory as a condition for the provision of a service.

(Office of the US Trade
Representative, 1992: 28)

This gives even more weight to CIRPA's fears of a north-south distribution system slowly usurping the, albeit already foreign-controlled, east-west system now existing.

This would mean that over time it will become much more difficult than it already is for Canadian records to be included in the system. In short, it doesn't look like the Canadian recording industry will be truly Canadian for a very long time, if ever.

CHAPTER FOUR: CONCLUSION

Considering the amount and variety of Canadian music heard on the nation's AM and FM radio stations, and seen in Canadian night clubs, concert venues and on Much Music, it would be very easy to agree with those quoted in my introduction about the "healthy" state of the Canadian recording industry. Under closer scrutiny however, we recognize that the success of Canadian-owned record companies has not been improving, and the presentation of Canadian music on radio and television still remains somewhat ghettoized. There certainly have been more individual high profile successes than ever before in the industry, both domestically and internationally, over the past decade. But this has simply masked the difficulties that remain for most Canadian musical artists and their record companies. The inundation of Canadian airwaves with foreign products, music among them, most definitely provides the cultural and industrial context for the CRI's development. But Canada is not unique here. The entire global recording industry is predominantly controlled by six very large and diversified media conglomerates, and what is

increasingly heard and seen on the airwaves in most countries is foreign to their cultures.

At the heart of this problem I feel is a dialectical tension between the music itself and the ways in which music is presented to people for consumption. It has been said many times that music is an international language. The appearance of jazz or blues music in the US in the first half of the Twentieth Century are perfect examples of how even music that has been traditionally labelled as American is the product of many different cultural and lived experiences. Much recent literature points to the complex intermingling of influences that formed those musical styles, well beyond a simple transposition of traditional African tribal rhythms onto black spiritual music (Ellison, 1989; Pratt, 1990). Further, and as with most new musics or derivations, these musics were created and performed for a significant period of time before they were recorded for, or broadcast to, an extended audience. A simplistic point perhaps, but essential to understanding that the problems associated with the global organization of recording music, and thus including the CRI, begin with the intervention of business practices.

This is not to say that the capitalist organization of music production corrupts the quality of music, but that there are two things happening in the "production" of music: the creation of music and the manufacture of records, or in

other words, an artistic activity and a business activity (Wicke, 1990: 126). This conceptual division I feel is the central reason why the "business" of music has not been more of a subject of analysis. The creation of music is seen to be an individual artistic endeavour, and serves as the focus of most popular press, historical, or musicological accounts of what goes on in the industry (Straw, 1993: 1-4). Moreover, the consumption of music is seen to also be a highly personal activity, and academic literature of the cultural studies variety focuses on this individual interpretation as being the most important area of inquiry (Clarke, 1991; Grossberg, 1983-4; Lull, 1987). But what these approaches respectively miss is that music creation is a collaborative venture, and what one consumes can only be that which is provided for listening. In other words, the conceptual split is only that: in contemporary reality, except for those occasions where music is performed on a non-professional basis, music is a commodity.

This is not to disparage the creative impulse, or the meaningful purpose of much music creation, or the ways in which music serves its listeners as an uplifting or fun activity. It is to say that discussions of music, no matter their type or subject matter, at some point must deal with the interplay between music and the commercial arena. As Peter Wicke states in relation to music consumers, and which I would extend to the relationship between musicians and

their record companies, "the industry does not control their decisions (to buy or what to play) but does control the results" (Wicke, *ibid*: 134). The "results" in this case are the profits.

Record companies no longer function simply as individual entities, solely devoted to manufacturing product from a contracted stable of artists. They are now, on the one hand, just one more entertainment arm of media and/or hardware conglomerates where "their activities in the musical field are only a secondary branch of the whole organization and are subject to its overall strategy" (*Ibid*: 122). On the other hand, they can be seen as a series of economic relationships between the companies, artists, and independent producers and/or independent record companies. Record contracts are arranged so that many of the costs involved in getting music to markets are born by the artists and their producers. All monies associated with recording and production are advances which must be paid back to the mother record label. In essence, the major "record companies simply take over the finished master tape in return for a 5 to 7% share of earnings" (*Ibid*: 126-7). While the majors are in a fashion contracting out the higher risk areas of the business, independent record companies throughout the world, but especially in Canada, have become solely testbeds for the majors who need to discover whether a particular artist is worthy of promotion; and promotion is

the name of the game today in the recording industry: "If pitching is 70% of baseball, promotion is 70% of the record business" (Bernstein in *ibid*: 131). Because of the current economic situation of most independents in the CRI, this means that they are at the mercy of the major foreign record companies' budgets in Canada, and it makes more sense for those branch labels to push the product that their non-Canadian owners have already invested in. When these facts are combined with Canadian radio and television broadcasting mostly American product, the structural restraints of carrying Canadian product in the foreign-controlled Canadian distribution network, and the inevitability of having to deal with the major's branch operations in Canada in order to secure an international audience, one gets a sense of why it is so difficult to make it in the Canadian music business.

The FTA, and the upcoming NAFTA, only serve to exacerbate these difficulties, especially in the areas of finished product importation, and the distribution and promotion of Canadian music. As previously shown, the falling tariff rate has resulted in increased imports into Canada, product which could have been manufactured north of the border. Furthermore, the Canadian-owned company that accounts for well over half of musical product manufacturing in Canada, Canadian International Recording and Audio Manufacturing (CINRAM), has recently opened two branch

plants in the US; with its Boston factory, Nobler Technologies, designing and building the manufacturing equipment used by the Canadian operations, a function that was once carried out in Canada (Globe and Mail, December 5, 1991: B1, B7). Moreover, the president of CINRAM recently informed Al Mair, now chairperson of CIRPA, that he may be forced to move more of his Canadian operations to the US in order to avoid the stigma of having "made in Canada" on his exports to the US (Mair, int.: 1993). This is simply a rhetorical device employed to mask the fact that CINRAM's costs of doing business are cheaper in the US than in Canada, and gives rise to a possible future scenario of an increased amount of Canadian music being manufactured in the US and shipped back to Canada.

The combination of the effects of the reduced tariff rates under the FTA means that distribution in Canada is slowly shifting from an east-west orientation to one of a north-south flow. Mair went on to point out that individual retail record chains, such as HMV and Sam The Record Man, are ordering more product directly from US distributors because of lower costs and border duty levels. Further, although no branch labels have taken advantage of the FTA services sector distribution deregulation freedoms by shutting down their operations in Canada quite yet, Mair was also informed by the US president of Time-Warner's record division that he would prefer to service Canada from his US

distribution centers. Brian Chater, the executive director of CIRPA, pointed to the ways in which the FTA and NAFTA services section also assured the majors that there would be no border barriers in the future to "direct-to-home" distribution of music made possible by the convergence of satellite, telephone, computer and CD technological capabilities (Chater, int.: 1993).

In the area of promotion, the FTA has inadvertently shown the weakness of relying on foreign record companies for domestic industry stimulus in two ways. First, in order to assuage industry criticisms of the agreement's tariff devolution, Investment Canada appears to have put pressure on the foreign majors to spend more money on supporting Canadian artists and their products. CIRPA estimates the current spending levels to be about \$25 million, up from only about \$5 million in the early 1980s (CIRPA, int.: 1993). Unfortunately, when Investment Canada set these levels of promotional "undertakings" in Canada, they failed to require that these funds be spent in Canada. Thus, for example, when Celine Dion, whose contract is with Sony Music in the US, released her latest album, the publishing rights were held by the home corporation's publishing company, all songs except two were written by Americans, the album was produced by an American, it was recorded and produced in the US, and all the music videos used to promote the album were made in the US. According to Mair this means

that none of the million dollars or so invested in producing the Dion "package" was spent in Canada although it was accredited by Investment Canada as a portion of Sony's Canadian undertakings; and of the approximately \$40 million in revenues generated from the release, only about \$250,000 are returned to Canada in the form of Sony Music Canada's distribution profits.

Second, due to the overwhelming economies of scale and relative wealth of the foreign major's home labels, and the increased spending for its branches in Canada mandated by Investment Canada, it has become increasingly difficult for Canadian independent labels to keep their Canadian artists, or even to sign new acts. Mair, who is also president of Attic Records, the largest independent in Canada at the present time, informed me that he has been unable to sign a new act for over a year. In the latest negotiations that he had with a new Canadian group, Attic's offer of a starter contract of \$500,000 was simply used as a bargaining chip for the group to gain an \$850,000 contract from Warner's US label. As Mair concluded, the combined effects of the FTA and Investment Canada's policy directives:

might not have put the final nail in the coffin of the independent portion of the Canadian record business, but have made sure that the lid is slammed shut...the damage is done...the legs of the independent Canadian recording industry have been cut out from underneath them.

(Mair, int. 1993)

The free trade agreements are essentially logical extensions of the corporate agenda espoused by the current Federal government in relation to Canada's cultural industries. Since the passage of the FTA the Conservative government has backed away from many major cultural industry structural supports. The changes to policy called for in Article 2005.1 of the FTA have been carried out. Magazine postal subsidies were reduced in 1990, and cable retransmission royalties were included in the first phase of copyright reform in 1989. These changes were accompanied by the dilution of Federal film distribution legislation, the institution of planned annual arts funding cutbacks through 1996, and budgetary clawbacks for the CBC, the Canadian Council, Telefilm, and native broadcasting (Carr, 1991: 9; Globe and Mail, February 27, 1991: A11). Investment Canada has relaxed limits on foreign investment/ownership in the Canadian book publishing industry, including retail and distribution activities, while the Federal Cabinet has so far failed to act on Time-Warner's split-run publication of a Canadian edition of Sports Illustrated magazine (Globe and Mail, February 12, 1993: C2; April 7, 1993: C1).

Directly in relation to the CRI, Investment Canada has refused to even discuss the pertinent issues in the FTA or NAFTA, or the investment/ownership policies flowing from them, with CIRPA. Meanwhile the recommendations made by the cultural industries' SAGET, the Cabinet's international

trade advising body that CIRPA is a part of, have been repeatedly ignored. Further, the SRDP's budget has not been increased in its eight years of existence, and it appears to be losing a half million dollars from its annual budget with the latest cutbacks in Federal cultural funding. CIRPA itself is having great difficulty securing government research contracts which are at the heart of their activities, and even CRIA almost went bankrupt last year (due mostly to the lack of support from the major's subsidiaries in Canada - approximately \$1000 to \$2000 per company contributions per year - but also due to cutbacks in government research funding) (Mair, int.: 1993). In order to assuage industry concerns about the increasing government indifference, the Federal government in December of 1992 appointed a task force to "chart the future of the music industry" (Globe and Mail, December 11, 1992: C1). Even though this is a welcome move, its report is not due until late 1995, and, according to CIRPA, not much is expected to come from it.

The lack of concern on the part of the Federal government for Canadian cultural industries fits neatly into the global intensification of the neo-conservative ideology which calls for the elimination of government interference in the marketplace, while espousing market forces as the proper determining factor for social, cultural, and economic policy. Canadian political economists, as noted in my

introduction, have long realized these policy influences in the relations between Canada and the US, but it is only recently that, taking a page from Smythe's work, their analysis has been expanded to examine the globalization of international capital (Laxer, 1993; Watkins, 1993).

This thesis proclaims that international competitiveness should be the guiding factor of all national policy decision-making, that "revolutionary changes in technology, business practices, and the international division of labour are compelling society to adopt a tough and realistic approach to stiff competitive challenges from abroad" (Laxer, 1993 in Toronto Star, May 11, 1993: A19; cf Watkins, 1993: 159-164). Within this line of reasoning, government policies towards social, cultural, and economic ends, and the price of labour, are seen as costs for the free flow of capital and information which must be reduced, or as unfair subsidies which hamper these flows and which should be eliminated. In reality, this thesis mostly serves the supranational corporations and the economic elite of international capital, who owe an allegiance to no individual country or its citizens, but rather only to their own profit. The Free Trade Agreement, and the upcoming NAFTA, are simply formalized, or institutionalized, versions of this position. While purporting to be only about trade, they are rather social blueprints for activities that go well beyond commercial activities.

Where does this leave the Canadian recording industry? With few options I'm afraid. If we are to play the game the way it is laid out under the trade agreements and the government's acceptance of the globalization agenda, there seems to be only one minor legal action that could be taken. Although tariffs are now considered taboo measures, they have been replaced by "anti-dumping duties" in individual sectors of the economy, "especially if they are seen as the means for dominating the critical industries of the future" (Laxer, *ibid*). A case could be made for bringing an anti-dumping action against the importation of foreign master tapes into Canada as simply one more prerecorded tape. These duties could be computed on a sliding scale, with actual sales figures in Canada as the guide for assessing duty rates. In this way Canadian independent record companies, which also depend on master tape importation for a significant portion of their revenue, would pay the least duties in that they usually import specialized musics (i.e., folk, jazz, classical, ethnic, etc.) which have traditionally sold much less than the major's pressings from mainstream master tape imports (Mair, *int.*: 1993). Unfortunately, considering the attitude of the current Federal government, and CIRPA's loss of lobbying power, this is most likely an unrealistic possibility.

However, I am not alone in recommending policies for the CRI which go against the grain of the current

conventional government logic. CIRPA continues to insist that the SRDP should be funded more in line with the comparative popularity of its products among the cultural industries. Even with the recent cutbacks to its funding, Telefilm still enjoys a funding ratio of ten to one vis-a-vis funding of the CRI, while the revenue ratio of the respective industries has remained relatively even throughout the 1980s and 1990s (Bronskill, 1992: 245-6; Mair, int.: 1993). Paul Audley's efforts to drum up support for a tax expenditure program for investing in Canadian recordings continues, although introduction of a Private Member's Bill in the House of Commons in 1992 seems to have been stalled in a sub-committee (Chater, int.: 1993). Both CIRPA and CRIA feel that it is only logical that Investment Canada at least require that their assigned undertakings for foreign record companies operating here be spent in Canada. Finally, if the "disappearing majors" scenario does materialize, as is possible within the FTA/NAFTA services sector guidelines, a space would open up for the establishment of a government funded, or partially funded, Canadian east-west distribution network Crown corporation, which could eventually move into international distribution. Of course, that "space" exists now, but the flight of the international majors would make the necessity of constructing a domestically-owned distribution system even more evident.

One or more of these suggestions may appear in the government's recently announced task force report, but it is doubtful that they will for two major reasons: first, all of these recommendations are illegal and open to retaliation under the FTA and NAFTA; and second, the traditional "we are not worthy" attitude towards US cultural products and their makers that Canadian private interests and governments have held in the past. Attitudes change over time, of course, but this deference seems to be a permanent feature of Canadian cultural trade policies and even Canadian cultural consumption patterns. However, even if all these recommendations were adopted for the CRI, the question still remains, Canadian for what?

Our Canadianness, if you will, has traditionally been built upon what we are not: not British before World War II, and not American after. Part of this post-WW II identity has consisted of the establishment of social and cultural policies that go beyond the market forces rationale that has guided US developments. This alternative position was expressed in a very straightforward manner in the report by the Royal Commission on Broadcasting in 1957:

It is equally clear that we could have cheaper radio and television service if Canadian stations became outlets of American networks. However, if the less costly method is chosen, is it possible to have a Canadian nation at all? The Canadian answer, irrespective of party or race, has been uniformly the same for nearly a century. We are prepared, by measures of assistance, financial aid and conscious stimulation, to compensate for our disabilities of geography, sparse population, and

vast distances, and we have accepted this as a legitimate role of government in Canada.

(Canada, 1957: 56)

This was an admirable intent that has unfortunately gone by the wayside in the 1980s and 1990s. Further, even these types of cultural policies, and those other social and economic policies infused with a similar intent, have only produced what I would call a particular Canadian version of capitalism with a heart. As the heart has increasingly come under attack over the past decade however, it has become quite clear that...

Protectionist policies do not attempt to overthrow foreign ownership and control of the Canadian economy. They are merely aimed at restructuring the relationship between foreign and indigenous capital, and between various sections of indigenous capital in order to provide for greater participation for certain capitalists. In other words, these continuing conflicts between various sections of capital remain cast in the general framework of American hegemony in Canada.

(Pendakur, 1990: 34)

Just as Canadian government policy has served to maintain that hegemonic relationship, so too has a silence of indifference on the part of most participants in the CRI served to maintain an inequitable ownership, revenue, distribution and cultural state of affairs in the Canadian music industry. Why this silence? Much of it is due to the obvious fact that most of the industry benefits from the status quo. Foreign subsidiaries are not in Canada to support the development of a distinct Canadian culture. Just as importantly, part of the silence stems from the ways

in which our identity has been infused with American cultural products, especially when it comes to music. As shown, the history of the CRI is the history of the importation of foreign, mostly American, musics into Canada. Returning to Wicke's conceptual division, on the level of music it is not hard to understand why American music has been so popular in Canada. American blues, jazz, gospel, folk, rhythm and blues, rock 'n' roll, soul, country and rap musics are very attractive and enjoyable forms of musical expression. However, the commercial arrangement by which those musics have existed in Canada have made sure that Canadian music will follow American forms and categories (Garofalo, 1991: 330). Moreover, most of the profits that have accrued from the historical commercial arrangement of the CRI have not remained in Canada, which creates a vicious circle that precludes many of the possibilities of forming and financing a distinctive Canadian musical voice.

Canadians do want to hear music performed by Canadians. A recent Gallup poll suggests that...

most Canadians are in favour not only of Canadian content in radio but would like to hear more Canadian music on the airwaves...almost three-in-five (58%) maintain that there should be a greater amount of Canadian content on the nation's airwaves.

(CIRPA, 1992: 6)

However, if this CanCon is not speaking for something distinctly Canadian as opposed to simply more of the same, what's the point? Further, even if Canadian music was

speaking out for alternatives to the status quo, for a more democratic way of life, it would not be enough to bring about changes in society: "Songs will not change the world. People change the world" (Ellison, 1989: 85). Music can certainly inspire people, but it can only reflect the inspirations that already exist in any particular society. We must begin to see that the geographic and economic proximity to the US only means a usurption of Canadian culture and our more social democratic aspirations if we allow it to happen. We must begin to demand of our political representatives that foreign ownership in all sectors of the Canadian economy be reduced, not just in the CRI. Unfortunately, as long as we allow our numerous Canadian multinational corporations, media or otherwise, to act like all other international conglomerates, and as long as we continue to allow a non-democratic concentration of media and other industry ownership, we have no right to demand these changes. Until we, as a society, turn away from the international capitalist corporate ideology, the Canadian recording industry as well as our other media systems will continue the march towards a wholly private model of ownership and behaviour, and for the CRI in particular will continue to survive on the crumbs thrown our way.

Many in the CRI have tried to say that subsisting on this diet is all we can do:

What's the future? Probably more of the same, plus occasional surprise stories...and they'll continue to yearn for the American market. And despite the question marks raised by the lowering of trade barriers...we'll continue to cope...And we'll still make good music, and we'll still be able to discover and nurture brilliant artists who may not 'make it' on the charts, but will strike chords in the hearts, minds, and feet of their listeners. So what else d'ya want anyway? This is Canada, eh, and we're getting by the best way we know how. We're not getting rich, but now, unlike in the distant days, we're at least getting work.

(Flohill in Goddard and Kamin, 1989: 192-3)

Sounds to me like someone who is content with the status quo, and perhaps means that the CRI is only getting what it deserves.

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Toronto Globe and Mail. "Music Task Force Appointed",
December 11, 1992: C1.

-----". "CRTC Loosens Rules On Canadian Content",
January 30, 1993: C8.

-----". "Industry Assails Federal Book Publishing
Policy", February 12, 1993: C2.

-----". "Cabinet Slow To Move On Magazine 'End-
Run'", April 7, 1993: C1.

-----". "Arts Funding Cutbacks Extend To 1996",
April 27, 1993: C1.

Toronto Star. "The ABC\$ of CD\$", September 19, 1992: G1,
G11.

Interviews

Interviewee	Organization	Date
Berg, Mo	Pursuit of Happiness	April 15, 1993
Caskey, Peter	Investment Canada	Feb. 10, 1993
Chater, Brian	CIRPA	May 17, 1993
Leblanc, Larry	Billboard	Sept. 29, 1992
Mair, Al	CIRPA	May 10, 1993

How The Money Flows

(Source - CIRPA, 1987:1)

The Record Industry Web of Relationships

(Source - Rosen, 1990;

A Statistical Snapshot of the CRI

<u>Year</u>	<u>Total Record Revenues</u> ¹ (\$000,000)		<u>Number of Releases</u> ²	<u>CanCon Releases (%)</u>	<u>CanCon Releases By Majors (%)</u>
	<u>Whsle</u>	<u>Retail</u>			
1970	65.7	123.0	NA	NA	NA
1971	74.5	144.7	NA	NA	NA
1972	88.6	175.6	NA	NA	NA
1973	105.1	206.2	NA	NA	NA
1974	131.7	264.2	NA	NA	NA
1975	140.6	271.2	NA	NA	NA
1976	160.0	318.4	NA	NA	NA
1977	191.4	353.1	3,149	472(15)	70(15)
1978	258.5	498.2	2,650	424(16)	60(14)
1979	303.5	508.3	2,552	485(19)	63(13)
1980	270.1	453.2	2,582	336(13)	44(13)
1981	291.1	476.4	2,754	275(10)	41(15)
1982	240.6	364.9	2,800	400(14.5)	110(27)
1983	272.4	398.1	2,880	481(17)	186(38)
1984	294.3	437.8	2,998	497(16.5)	166(33)
1985	300.3	442.3	3,090	409(13)	120(29)
1986	326.6	457.2	3,201	312(9.5)	99(31)
1987	333.4	452.6	2,924	412(14)	92(22)
1988	367.3	537.2	2,883	421(14.5)	107(25)
1989	404.4	590.0	2,953	459(15.5)	140(30)
1990	444.0	649.1	4,439	615(14)	171(27)
1991	489.3	709.4	4,665	618(13)	179(29)
1992	559.3	780.2	4,100	570(14)	154(27)

1 - Source - IFPI, 1990: 21; IFPI, 1993: 3; in US \$. All other figure from
Stats Can Record Industry Annual Profiles 1977-1993.

2 - Excludes single releases

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