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## Discussion Following the Remarks of Ms. Richardson and Mr. Atkey

Discussion

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DISCUSSION FOLLOWING THE REMARKS OF MS.  
RICHARDSON AND MR. ATKEY

QUESTION, MR. DeVORETZ: I would like for you to comment on Alanis Morissette, Celine Dion, Shania Twain, and other wildly popular Canadian singers. Do you think that they would have become popular in the American market in the absence of the radio content rules made by the Canadian Radio-television and Telecommunications Commission (CRTC)?<sup>1</sup> A number of people, including record producers, say that the benefits of those rules which were started many years ago are now being reaped by Celine Dion and other Canadian artists. Do you want to comment on their success?

ANSWER, MR. ATKEY: That is a fair observation, but their success today is not due to the Canadian content rules. I think there was a useful purpose served in the 1970s and the 1980s by the original content rule, which started out requiring stations to play twenty-five percent, then thirty percent, and now thirty-five percent of the work of Canadian artists. It served a very useful initial purpose in getting an industry going. The music industry in Canada, about which I know a little bit, is no longer at the infant industry stage. We are now producing world-class artists. Canadians are running the Canadian show and they are giving access to Canadian artists in major international markets. We do not need that content rule crutch today. It was useful at the time, but it is not necessary today in my view.

COMMENT, MR. CRANE: I am very interested in these comments. It is unfortunate that we did not have on our panel somebody who could explain the reasons why Canadians do these things. There are very serious and profound reasons why Canadians have felt it necessary to adopt these kinds of policies and why there is a continuing body of support for the maintenance of such policies.

QUESTION, PROFESSOR KING: Do you think you could possibly phrase it as a question?

QUESTION, MR. CRANE: On one hand, we are being told that the Internet and all these new technologies are going to make Canadian policies irrelevant, yet we have this tremendous effort going on trying to fight the Canadian policies. If it is true what people are saying, that these policies are

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<sup>1</sup> The Canadian Radio-television and Telecommunications Commission (CRTC), the primary regulatory body, requires Canadian commercial radio stations to devote 35% or more of their popular music selections to Canadian artists. See Ronald G. Atkey, *Technology Change and the Canada/U.S. Regulatory Models for Information, Communications, and Entertainment*, 25 CAN.-U.S. L. J. 361 (1999).

going to all become irrelevant, why are some people exerting so much energy to try to get rid of them? We are told they are going to be wiped out overnight in terms of ethics. I personally do not believe that. I think it is silly to say that shelf space is no longer an issue. I do not see the great majority of Canadian homes having digital access to libraries of thousands of movies today nor in the very near-term future. Acquiring digital entertainment facilities in the home is still very expensive, and there are still a lot of technical problems to solve before they become widespread.

On the other issues, the United States Trade Representative (USTR) always gets terribly upset anytime that Canada does anything relating to culture because of high-priced lobby groups in the United States. This neighboring rights issue could be solved overnight if the United States provided reciprocity. After all, it was the United States who introduced the notion of reciprocity into trade negotiations in the first place. Now, the United States feels it is a victim of something that it has championed for so long. Americans whine a lot about this neighboring rights issue. They have the power to deal with it very quickly.

QUESTION, MR. WOODS: I wanted to second Mr. Crane's motion. Usually we have point and counterpoint, Canadian and U.S. We have heard the point, but we have not quite heard the counterpoint tonight.

I think I heard somewhere that quotas were a bad thing. In the context of the subject, which is culture and entertainment, are the speakers trying to say that quotas are a bad thing? What about the Canadian Football League? Americans are not allowed to come in and take all the jobs in the Canadian Football League. What about junior hockey in Canada, which, on the eve of Wayne Gretzky's retirement, is the place where we create not only entertainment, but also a lot of culture. The junior teams want to put a cap on how many teenagers can come in from outside; is that a good thing or a bad thing? What if you want to be a concert pianist in Cleveland? Apparently, there are going to be restrictions on people coming from outside the United States to become classical artists. So, are quotas always a bad thing in terms of entertainment and culture?

ANSWER, MS. RICHARDSON: I did not say that quotas were a bad thing. I actually believe that they are, but that is not what I said. I said they were passé. They are an historical anachronism with regard to the digital Internet environment. There was a certain logic to them at one time, and they may still have a logic where there is a scarcity. Television broadcast time, and I mean old-fashioned, over-the-air television, has a twenty-four-hour day. There is not enough space for everything that people would like to broadcast on it. So, there is a logic to having a quota to reserve space. The problem with quotas is that they reserve space, but they do not guarantee that

good content is put in that space, or that it is something that the consumers actually want to see. It may result in that, but it does not necessarily result in that. Historically, quotas have created programming, but it has not always been good programming that people want to see. It is no happenstance that quotas are used in the off-hour times. If consumers really wanted to see these programs, they would be aired in prime time.

QUESTION, MR. WOODS: Americans might not understand our problem. They see Canadian culture as being mediocre and unimportant. But we are surrounded, not by the United States, but by the huge influence of American culture. The Europeans are on the defensive about this. We, too, have to protect our culture somehow. Tell us how.

ANSWER, MS. RICHARDSON: Actually, I validated your desire to have the Canadian government do things to promote your culture. I actually did give you some ideas about things that your government could do in an Internet environment that could be helpful, such as ways to guide Canadians to Canadian content. There is too much stuff out there on the Internet, so a model that helps Canadians to find Canadian culture would be a valuable service. I do not know if it is practical. I am not a real techie, but it seems like a good idea.

What I am saying is that it is important to your government, to other governments, and to other bodies politic, to insure that your countries' children have exposure to your history and your culture. In fact, the market is demanding this. In Europe, in most countries where television quotas are administered in a more or less flexible way, they are market-clearing. There is enough demand for European culture that, without the quotas, there would still be approximately forty-nine percent European content to fill those stations. That is the reason why my member companies are making European programming in Europe. It is because of demand, not because of the quotas. The question is, what are the policy tools that work and do not send us up the wall? We do not have good trade instruments to deal with that.

I would like to go back to the last panel and my roots in trade. I do think that there is a role for a rational debate between your country and mine, as well as between my country and France, if we can find someone there who is rational enough to talk about it. This is a very emotional debate in France. In Canada, there has been a really healthy debate. People are asking, what is the appropriate role between culture and trade? Can they co-exist? If the trade people agree that culture is a valid concern, what are the cultural measures that can be green-lighted? For example, can subsidies be green-lighted? I am not even sure that labor unions in the United States would agree to that. There is a hot political debate about this in Washington. The way the unions phrase it, Canada is sucking away American jobs. American motion picture

companies and the television programming industry, in particular, are going up to Canada because of your unfair trade subsidies. The studios are on your side, but that is the view in the trade unions.

It is a debate that we need to have. We need to validate your concerns. We also have to agree on what policy tools can be used that will not drive us up the wall and will not have us hammering on you with the trade tools that are available, which are imperfect. So, you are right, the cultural concerns are valid.

COMMENT, PROFESSOR KING: I wanted to make sure to mention that Liss Jeffrey has some affiliation with Canadian Heritage. To give this a balance, I will give her an opportunity to submit an article to the *Canada-United States Law Journal* in answer to David's question. I want to be balanced on this, and we are the Canada/U.S. Law Institute. I cannot go farther than that. I think we must try to be gracious about it, and I think it is more important that we get all points of view. So, Liss, we will wait for your submission.

COMMENT, MS. JEFFREY: Thank you very much, Henry.

QUESTION, MR. McILROY: I have a question for Bonnie. You mentioned that, as shelf space expands, Canada should be rethinking some of its policies. You also mentioned that shelf space was becoming infinite. Just before dinner, Jean Anderson made a comment that I thought was interesting. She said that Amazon.com had been accepting payments from certain book publishers in order to get their books front-racked.

I see all these portholes in home pages appearing, whereby when you log on, there are certain things that are front-racked and in your face, and there are certain things that you may never see. I guess what I am wondering is, are you saying that shelf space is becoming infinite in that all shelf space is homogenous, or is there some shelf space that is better than other shelf space, and he or she who has the prime shelf space will have a commercial advantage? I am not quite sure I am understanding what you are saying there.

ANSWER, MR. ATKEY: I am going to let Bonnie think about her answer, but my observation is that whether it is an ad in a magazine or on the Internet, you get what you pay for. There is a free market working out there, and if you want to get the prominent banner when people first access a particular Web site, you have to pay a certain rate for it. If you want to spend less on an advertisement, the users will have to scroll down a little bit to find it, but it is a market-driven situation. Is that not what advertising is all about in the print media and on television? What is the difference?

COMMENT, MR. McILROY: Under the Broadcasting Act,<sup>2</sup> there is a limited spectrum of signals, and the state has the ability to allocate those

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<sup>2</sup> R.S.C. 1991, c. 11.

limited spaces. Correct me if I am wrong, but I understand both you and Bonnie to be saying that the policy that was based on the concept of a limited spectrum no longer makes sense in today's world where, in effect, shelf space is infinite.

I guess what I am trying to get at is, there is prime shelf space and there is infinite shelf space, but if the infinite shelf space is not worth anything, then who cares about it? When Jean Anderson said that Amazon.com was taking money in order to put certain books on the front shelf, it seemed to indicate to me that, yes, Amazon.com has infinite shelf space, but it is still the front-racked shelf space that counts.

COMMENT, MS. RICHARDSON: When you do a search on the Internet, you get good stuff and you get junk, and you may have a server that helps you to sort that out. At least as far as I am aware, if you do a search, nothing is sorted for you. I was suggesting that some consumers want to be spoon-fed. They want things sorted for them. They want to see brand names because that gives them a feeling of security. Discriminatory servers are a real issue, and the trading system is going to have to figure out whether they are acceptable or not.

Theoretically, you could have a server set up such that, when you ask for action films for the last ten years, it will show you first all the Canadian action films that have been produced in the last ten years, and only after that you get, in alphabetical order or some other discriminatory way, the other action films. It is a useful tool, but is it an acceptable tool? I do not know. We have not made the rules yet. Discriminatory services were outlawed in the airline server environment. So there is a precedent that says they should not be allowed. But as far as I know, right now, pretty much everything out there has equal standing. You have to sort through it, though, to get what you want.

COMMENT, MR. ATKEY: Well, there is a practical exception. You want the Internet service provider that gives you the Canadian approach. That is a market decision, not a regulated matter.

QUESTION, MR. LEVEY: It seemed, Bonnie, that in your comments you focused more on the organized, criminal reproduction of entertainment media. Ron, you focused more on individualized, localized pirating, using things like MP3, for example. As a representative counsel for Time Warner and a representative of the Motion Picture Association of America, where is the focus going to be? It seems that there has not been much success with regard to the individual pirating of videotapes on a small basis, but there has been a lot more success in terms of organized pirating, particularly in North America.

ANSWER, MS. RICHARDSON: With regard to piracy, it is true that in the past our Congress decided home copying was okay because it mostly was used for time shifting. If you want to see your favorite family program, but you are going out that evening, you can copy that television program to watch it when it is more convenient for you. That is the reason we do not have reciprocal measures for audio home copying, because our Congress decided twenty years ago that this did not, in fact, substantially harm copyright owners. The market has changed a lot. I am not sure they would reach the same decision today, but that is why we have not been able to pass a reciprocal piece of legislation.

Home copying is different today. Before, when you made a home copy you were making only one copy; you were not ruining a whole market. Today, a teenager sitting in his room before his home computer making a copy from a digital video disk (DVD) and posting it on the Internet does not make just one copy for his home use. He makes it available to the world. That is a hugely different thing.

We are trying to use encryption measures or other copy protection measures that we can build into DVDs to make it more difficult for the average kid to make illegal home copies. It will not stop criminal pirates. They can break anything we are smart enough to create in terms of encryption systems. It may take them weeks, or even months, but they will do it. Therefore, encryption it is not a solution for criminal piracy. It is, however, a useful tool for preventing home copying from getting out of hand and ruining world markets. This is one of the reasons why, in Asia, they have been converting to watching their movies on digital CDs for the last couple of years.

We delayed the release of movies on digital video discs because we wanted to get it right this time. We wanted to make sure there was a copy protection system built into our product, and this required elaborate consultations with the people who manufacture the players and the home computers. Now, we find out that the Chinese have come out with a competing format that does not have a copy protection on it.

QUESTION, MR. GIBBONS: My understanding is that Canada adds a surcharge to the price of videocassettes to compensate artists. Is the next step to add a surcharge to hard drives and floppy disks because of the chance of MP3 piracy? You are basically discriminating against the medium as opposed to actively compensating artists.

ANSWER, MR. ATKEY: That is true. That is the whole basis of the blank tape levy. This is not something that the United States opposes as a concept. We recognize the impossibility of preventing home taping. We are simply saying, let us put a levy on the blank tape and get the money back to

those who created the work in first place. It then becomes a question of how you distribute the proceeds.

I suppose, carrying the argument through to its theoretical conclusions, that it goes back to the statements made earlier about the Madison Project. The whole theory of it is not to prevent the use of technology in getting music, but to facilitate it so that people will have the ability to make their own CDs and pick and choose the songs they want through high-speed broadband communications. They will pay for those songs at a reasonable price so that the artists who created the works and the music companies who helped finance them and market them can be properly compensated for the intellectual property they created in the first place. If they get it right, and I have no idea if this technology is going to work, it will mean a healthier music industry; one that is better for the artist, better for the music companies, and better for everyone in terms of access.

QUESTION, MR. BAXTER: My question is for Mr. Atkey, and it is essentially related to Bill C-55.<sup>3</sup> As I understand it, C-55 relates almost exclusively to on-page and polybagged advertising in magazines delivered in the traditional form. I guess my question is, in your capacity with Time Canada, most of your concerns on the existing publications have been covered in the updated grandfather clauses. If you truly believe that, within a short amount of time, the new technologies are going to send the old magazines the way of the Model T, why is there this urgency in Washington to stop Bill C-55 or any other Canadian attempt at a magazine protection bill?

ANSWER, MR. ATKEY: First of all, I have two or three comments. The opposition to Bill C-55 is not driven by the foreign publishers, but by the USTR as a matter of trade policy. The opposition is not so much because it relates to magazines. That industry is quite small compared to the larger cultural industries, film and television. But this bill would set a precedent, which the USTR sees as somewhat dangerous.

Secondly, one can argue, and I would argue this as a Canadian, that Bill C-55 does nothing for Canadian culture. Canadian culture is not mentioned. It does an awful lot for the two large Canadian-owned companies that control over fifty-five percent of the advertising revenue. Basically it is a protectionist piece of legislation to protect Maclean Hunter and Telemedia and the quasi-monopoly that they enjoy in the magazine industry. I do not think that is good public policy in Canada, particularly when there are better ways to assist Canadian authors, photographers, and editors. It has been recommended for a long time that we simply increase the subsidy.

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<sup>3</sup> See Bill C-55, *An Act respecting advertising services supplied by foreign periodical publishers*, 1st Sess., 36th Parl., 1998 (1st reading 8 Oct. 1998).



We already do this in films and television. The simple prescription, which was recommended two years ago, would be to double the postal subsidy. That is a mechanism that has been around for seventy-five or eighty years. It relates to per-issue copy, and the benefit flows right through, if you are a Canadian magazine, to Canadian authors, photographers, and editors. Significantly, it was Maclean Hunter and Telemedia that opposed the use of subsidies because they did not want to seem to be welfare recipients. That is part of the difficulty you get into. If you really want to help Canadian culture, then help Canadian culture. Do not put it in a restrictive trade measure that, quite frankly, will not pass muster at the WTO and could well incite the United States to take action under NAFTA because of the form in which it is perceived. It is just bad public policy.

QUESTION, MR. HARTMAN: As Bonnie Richardson mentioned, with every innovation comes a certain amount of baggage. There is certainly plenty of baggage that comes with the Internet. Apart from the cultural content issue – on that one, I sympathize with the Canadian position, for better or worse – it seems to me that there are a number of issues presented by the Internet which are common to many of the industrialized societies which have Internet access. For example, an issue that concerns a lot of people is the privacy rights of the users. There seem to be many techniques, and many kinds of software, which can be invasive of the individual's privacy in using the computer for Internet purposes. You also have the issues of child pornography, security fraud, and hate groups. Because the Internet is more or less global in nature, are these not common issues to us all, and are these not issues which might best be addressed by some type of treaty which would take care of those kinds of issues?

ANSWER, MR. ATKEY: I agree with everything you said. The areas you have mentioned are the specific areas in which I think you can justify formal regulations. In the first instance, that of domestic regulations regarding providing protection for consumer privacy, Canada is jumping out ahead of the United States right now. We have a bill before our Parliament, Bill C-54,<sup>4</sup> which I strongly support. It is aggressive in some respects, but I think it will restore consumer confidence in protecting the privacy of the individual user. I would recommend it as a model for U.S. consideration.

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<sup>4</sup> See Bill C-54, *An Act to support and promote electronic commerce by protecting personal information that is collected, used, or disclosed in certain circumstances, by providing for the use of electronic means to communicate or record information or transactions and by amending the Canada Evidence Act, the Statutory Instruments Act, and the Statute Revision Act*, 1st Sess., 36th Parl., 1998 (1<sup>st</sup> reading 1 Oct. 1998).

In regards to pornography and hate literature, we can do an awful lot through cross-border cooperation, but eventually, we have to rely on our domestic laws for effective prosecution and enforcement.

QUESTION, MR. ALLEN: I want to focus on the issue of split-runs. First, I am vigorously opposed to subsidies for anything. We have too many subsidies, and anything that cannot survive on its own really should not be in existence. Having said that, I am also concerned that Canadian magazines, whether they are controlled by a couple of companies – and there are a lot of publications that are not controlled by one of those two companies – or not, would be subjected to dumping, which is really what this is all about. If you can take a magazine that is developed for a population base of 250 million, have all of the production costs amortized over the circulation, which may be ten or twenty million, take those publications costs down to zero for the Canadian market place, and then go after advertising without any real publication costs, then you are working at a tremendous advantage. I would submit that, if Canadian companies were doing this in the United States, and I speak from experience on this, there would be endless comments from the U.S. competition that they would feel they were greatly disadvantaged. I have gone through this exercise. I know what it is like. So, as much as I am really opposed to government intervention in anything, I can, perhaps, understand why it is happening in this instance.

ANSWER, MR. ATKEY: Let me answer the dumping argument with three facts that are often forgotten. Thirty-five years ago, Grattan O'Leary, when he had his Royal Commission on magazines, recognized the unfairness or the unevenness of the playing field vis-à-vis split runs coming into Canada in Canadian magazines.<sup>5</sup> That was why Section 19 of the Income Tax Act was introduced.<sup>6</sup> Just to put it in bold terms, when *Time* goes to sell an ad in Canada and *Maclean's* goes to sell an ad in Canada, the advertiser in *Time* cannot deduct that from their taxes, but the advertiser in *Maclean's* can. That represents a gross gain of about forty-five percent. In order to stay competitive, *Time* must lower its gross rate to end up being the same net rate for the advertiser in the competitive environment. That is one leveling of the playing field which existed, and was not attacked by the USTR. It will likely continue.

Secondly, there is a postal subsidy. It is, admittedly, diminishing, but it still stands at about fifty million dollars a year. When you go to mail an issue of *Time* in Canada, it costs about thirty cents an issue. My friend John Torre

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<sup>5</sup> See M. GRATTAN O'LEARY, REPORT OF THE ROYAL COMMISSION ON PUBLICATIONS (1961).

<sup>6</sup> See *Income Tax Act*, R.S.C. 1952, s. 19.

mails his magazine *Maclean's* at 8.1 cents per issue. Again, this is a leveling of the playing field.

The whole argument is that you are dumping products in at unreasonably low prices, but that is not how it operates. When you have a U.S. publication that suddenly is going to do a split-run into Canada, that immediately affects the rates for the advertising in the United States. If you immediately go to a circulation of 150,000 in Canada, that comes off the rate base in the United States, so you are robbing Peter to pay Paul. It is not a pure dumping situation. Those three factors alone suggest that the current situation, without Bill C-55, is a relatively level playing field.

QUESTION, MR. EASTWOOD: As I have been hearing these presentations through today, I get the sense that popular culture needs to be differentiated from national culture. I believe that when Alanis Morissette sings that "you oughta know,"<sup>7</sup> she is not talking about the shop that sells the best back bacon. When Celine Dion sings, "near, far, wherever you are,"<sup>8</sup> she is not talking about where Wayne Gretzky is or is not playing. In a marketplace that, through the Internet and other communications media, is becoming more open, I think we are going to have to make some hard decisions about what a national culture is. When it comes to popular culture, there are things that Canadian singers have to sing about that are interesting to Americans or to people from any country. I do not know if it is specifically Canadian, but I believe that some of the things people are talking about are universal enough that a decision has to be reached about what our national culture really is.

ANSWER, MR. ATKEY: For a minute, let me get passionate about the Canadian music industry. We should not talk about Celine Dion and Alanis Morissette because they do not live in Canada very much. They are now citizens of the world. I cannot even talk about the Barenaked Ladies now, because they are touring. Instead, let us talk about The Tragically Hip, Great Big C, Natalie McMaster, the Big Wreck, and other groups, the so-called Down East culture. All kinds of record companies are in there signing these young artists. If they break across Canada, then they break into the international market.

We have a thriving musical industry in Canada. Canadian music is making its way out into the world, which is wonderful. This was done, admittedly, with some prime pumping through the Canadian Radio-television and Telecommunications Commission (CRTC) content requirements on radio. I

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<sup>7</sup> Alanis Morissette, *You Oughta Know*, on JAGGED LITTLE PILL (Maverick Records 1997).

<sup>8</sup> Celine Dion, *My Heart Will Go On*, on TITANIC ORIGINAL MOTION-PICTURE SOUNDTRACK (Sony Classical 1998).

submit that it is not as necessary now as it once was, but that is because the industry has matured. We can be proud that we have developed this.

Film is a different story. I think our situation regarding film is no different than most of the other countries in the world. As for television, we are doing very well. In symphonic music, ballet, and opera, we do reasonably well for a relatively small country. I do not think we have anything to apologize for. We should celebrate and get our product out into the international community because it plays very well.

COMMENT, MR. ROBINSON: You will be pleased to know I am not making a speech on this topic as I did last year. I only have two small things to say to agree with Ron on one point and disagree with him strongly on another. Let me do the disagreeing first. I think he is dead wrong that Bill C-55 is not WTO-compliant. I think it is, and I think the United States will lose if they go to the WTO on it, which is why they are not doing so. Instead they are threatening retaliation under the Canada/U.S. Free Trade Agreement and NAFTA. That is where the retaliation is going to be. If it proceeds on the basis of the saber-rattling like Charlene Barshefsky has been doing to block steel and plastics and wood, which are certainly not of equivalent commercial value, they will be embarrassed on that as well.

I will agree with you, Ron, the fact that C-55 is a target has nothing to do with Canada, since the United States already controls ninety-five percent of the screens, eighty percent of the magazines, and sixty-five percent of television. They are not worried about Canada, except for rather odd people like Jack Valenti who wants 100% of everything. What they are worried about is infringement, so we are being sideswiped. It is a classic Canadian situation where, because we want to do something that could create a nasty precedent for the United States in real terms elsewhere in the world, you slap down the Canadians first in order to teach the French a lesson.

COMMENT, MR. ATKEY: Michael, you have been sucked into a misinformation campaign from the success of the Ministers of Canadian Heritage. Eighty percent of magazines on newsstands are not Canadian; that is true. But, what they do not say is that very few Canadians get their magazines from newsstands. We get them in the home in terms of paid and controlled circulation. The majority of magazines which Canadians read, about fifty-three percent, are free magazines received in the home as controlled circulation. Roughly forty-two percent of the magazines read by Canadians is comprised of paid subscriptions. Of those two, about eighty percent are Canadian-owned.

The five to seven percent that they get on the newsstands, admittedly, are pretty well foreign, but that is only five to seven percent. Where is the problem with that? The problem, I would suggest, has been created by misinfor-

mation that does not reflect the true reality of what that industry is. Bill C-55 is all about symbols. It is not about Canadians protecting Canadian culture in magazines; it is trying to establish a market for other purposes. I think it is bad public policy. It does not serve well to proceed with that kind of legislation. If you really want to help magazines, I have suggested the way to do it.

COMENT, MS. RICHARDSON: I would like to respond to your other point. First of all, you underestimate the effect of Canadians on Americans, and your ability to get under our skins on trade issues. That is a reflection of our inability to have a rational national debate on culture. We can only scream at each other. You have demonized Jack Valenti, the sweet little man that he is, and we are afraid to lose small battles with you because, over the course of our history with you, you have threatened to do some really horrible things – to close your markets in some ways that are really significant. We are afraid to lose the small battles because we are afraid of what you will do next. You are an important market to us, and you also matter financially.

QUESTION, MR. WOODS: I have a small change of pace. I was involved in a series of negotiations recently with on-line media providers. When I get a *Time* or a *Maclean's* magazine or when I watch a television show, whether it is *Hockey Night in Canada* or *Meet the Press*, the advertising seems to be tied to the magazine or the show. I was told by the people with whom we were negotiating that we were going to be buying the media news, but that the advertising that would flow with the newspaper was not part of it. So, the advertisers on Page 2 of the *New York Times* or the *Globe and Mail* were not part of the package on the Web. It sort of dawned on me, and, perhaps I could be wrong, that advertising in the news media is not so much tied to the content as to the content provider. Is that accurate, or maybe is it just that the newspapers, when they sell their news stories, do not have the rights to the advertisements in their paper version? Is the advertising industry going to change its focus from content to the content provider?

In a way, when the news is sent over the Internet, it is different from the paper version. I am not sure whether I have expressed that very well. Take a look at a newspaper or a magazine or a television program, the advertising features something like John Cheery talking about Molson beer on *Hockey Night in Canada*, and you associate the beer to the hockey, not to the Canadian Broadcasting Company (CBC). But, when you negotiate for the feeds of the news on the Web, the advertising part of the *New York Times* or the *Globe and Mail* disappears. What advertising there may be is focused around the provider, whether it is Infomart or Dow Jones or whatever. Is this at all significant, or is it just a little point?

ANSWER, MR. ATKEY: I think you make the general observation that advertising of news magazines or newspapers on the Internet is not as di-

rectly related to what you buy, and one could say the volume is not as great. For example, when I download *Maclean's* on Sunday afternoon, yes, there are ads. They are not the same ads as the ones in the magazine because they do not deliver quite the same impact. They are not on glossy paper. You do not get quite the same color. They are more likely to be mutual fund ads rather than liquor ads, if you will, because they do not quite translate the same. And, of course, there are certain types of publications that do not lend themselves to the Internet, such as *In Style* magazine, *Vogue*, and *Cosmopolitan*. You do not get full color, but that does not matter for the business magazine in that context.

Now, you say, how is this going to operate? The Canadian magazine industry, for example, makes the case that sixty percent of their revenue comes from advertising, and forty percent from subscriptions. Whether that ratio remains the same if you deliver the product on the Internet remains to be seen.

QUESTION, MR. WOODS: My department is the one that is paying now, and when I buy the *Globe and Mail*, I presume that the advertisers are paying a huge amount of the cost. But when there is no advertising associated with the product that I can see, it seems to me that, eventually, I will be paying the whole cost of production. Where does advertising fit in on the Web?

ANSWER, MR. ATKEY: I do not know what the ratios are, but I have the impression it is less.

COMMENT, PROFESSOR KING: It has been a great session. I want to thank our speakers, Bonnie Richardson and Ron Atkey, for their presentations and their handling of the many questions. Liss, we look forward to your submission when we publish the proceedings.

