

What's this? Inflation is stirring again?

The monster stirs, growling weakly. Inflation was supposed to be dead, wasn't it?

Turn that question around for the many Canadian sellers that had to reduce their prices last year: Might they be able to raise them this year?

Well, maybe inflation is so enfeebled by tough policy — and flabby demand here and abroad — that its latest rumblings don't matter. Most forecasters say so. Some, including Scotiabank, say a deflation of prices is our "greatest risk."

Canada's year-to-year rate is higher in recent months at a still small 2 per cent. Gone are astonishing lows of close to 1 per cent last year.

But monthly signs mean little in themselves. Still, Randall Powley of Scotia-McLeod points out "a lot of inflation starts with a little inflation."

It's agreed, however, it's "momentum that counts." You have to look behind



Jack McArthur

the figures, trying to decide whether pressures are building. Most guesses: They're only temporary and minor but Canada won't get back to last year's smallest increases in consumer prices in 30 years.

Two per cent is still close to the world's lowest. And the common forecast is Canada's number will remain smaller than most, staying unusually below U.S. rates.

Current predictions look tiny against the double-digit highs of the '70s and early '80s but international comparisons are crucial. Comparatively higher prices create demands for bigger gains in pay

that may make a nation less competitive. Powley analyzes the possible causes of inflation: currency devaluation, crop failures, demand for major products, any shortages of labor or production capacity. (The last isn't much of a threat.)

He concludes inflation may peak at 3½ per cent in mid-'93 and fall just below 3 early next year. A main reason: Higher costs for imported raw materials and food caused in part by the dollar's drop against the American dollar.

It takes more Canadian to pay U.S.-dollar prices than it did a year ago. But if the dollar now stays around 78-81 U.S. cents, that factor loses force.

Forecaster Informetrica sees the Consumer Price Index averaging 2.7 per cent more in '93. It expects our labor costs per unit of production to rise less than 1 per cent, the smallest in years.

Beutel Goodman puts this year's CPI increase at 2.5, falling to 1.9 next year

despite strong economic growth. It sees little reason to worry, either on the part of the inflation-wary Bank of Canada or Canadians.

Most experts second the motion. One survey averages 2.2 for '93. Scotiabank's low guesses of two hinges on its expectation of particularly slow growth and wage gains below 2 per cent.

All this means that few analyses are alarmist. They deal with certain obvious questions:

□ Will even a little more inflation stir the Bank of Canada into economy-squeezing action of the kind mounted in the late '80s?

Answer: That's not likely unless any increase tops 3 per cent and seems to be gathering force. The bank's goal of zero inflation doesn't necessarily mean zero but a comforting, low average.

□ Will our somewhat higher inflation eat into our new abilities to compete

with foreign production costs?

Answer: Probably not, though that depends upon what foreign costs do.

The chief ingredient here is labor. With our high unemployment and the hard bargaining of profit-shy employers, pay increases will be small. Productivity may rise as much or more, possibly meaning no increase in national costs.

□ Will interest rates be too high in Canada, causing serious cost disadvantages? In part, that harks back to central bank reactions.

Answer: Opinions differ. Some economists feel credit costs are dangerously high at present. They believe the bank leans toward real interest rates too far above the pace of inflation. Others feel this is no great menace.

Almost all, however, fear for the future unless governments reduce their. Please see OUR/page B6

Recording studio finetunes profits with a personal touch

By Donna Jean MacKinnon
TORONTO STAR

The dream of every young rocker is to be able to make a living in the music business.

After 10 years on the road playing pop-rock in assorted bands, George Rondina and Jim Zolis, owners of Number Nine Sound Inc., made this fantasy a reality.

But it didn't happen overnight. It took 12 years to build up their multi-faceted recording services company that last year grossed \$500,000.

Number Nine consists of four divisions: a 24-track recording studio, a professional audio rental service, digital editing and cassette duplication.

Rondina, 37, looks after business and marketing, while Zolis, 36, is the technician and hands-on expert in the recording area.

At Number Nine's Jarvis St. recording studio, Zolis has co-produced and engineered tapes for artists such as Rita MacNeil, Celine Dion and Glass Tiger.

Other clients include guitarist Liona Boyd and groups Pink Floyd and Barenaked Ladies.

Ron Proulx, a Toronto musician and producer who has used Number Nine's facilities and Zolis's expertise on several occasions, says that for the money, location, service and quality, Number Nine can't be beat.

"There's a lot of competition around because of cheaper technology," says Proulx. "But at Number Nine, they are extremely personable people, a bonus in the music business."

Besides catering to musicians, Number Nine has several corporate accounts such as Mazda Canada Inc., Kraft Foods Ltd. and the Fairview Mall, which require audio services for commercials.

Zolis describes his business as a hobby that grew.

When the partners met in 1980, Rondina was working in a record store in Richmond Hill and Zolis was bartending to keep body and soul together.

Rondina was also doing some private recordings in a back room of the record shop. The men pooled their gear and \$2,000 in cash and began recording mainly independent artists.

Their reputation spread and, when the record store moved out, they were able to take over the whole premises.

"Our first five years was nothing to write about in a financial section," says Rondina. "But we managed to pay the rent and keep going through the last recession."

In 1987, the partners moved to Thornhill and upgraded their equipment.

"This put our studio in a different league.



DEREK OLIVER FOR THE TORONTO STAR

PARTNERS George Rondina, left, and Jim Zolis plan to expand their recording business so they can compete with studios in New York and Los Angeles.

Number Nine Sound Inc.

BUSINESS: A recording studio and audio rental service.

START-UP CAPITAL: \$2,000 savings.

EMPLOYEES: Two partners plus four full-time and four part-time employees.

GOAL: To raise venture capital in order to expand studio facilities.

We started doing work for groups such as Glass Tiger, Northern Pikes and Chalk Circle," says Rondina.

The next year, Rondina and Zolis started Pro-Audio Rental, a division of Number Nine. The move increased their revenues substantially.

Currently, the company has an inventory of about \$400,000 worth of equipment and 30 per cent of its business is rental.

Rentals range from \$25 a day for a basic mike to a tab of \$15,000 a month for the equipment that was used to record the soundtrack for the Rolling Stones' IMAX production *At The Max*.

"Our main competition fell by the wayside in this recession while, throughout it, we have done better each year," says Rondina.

Two years ago, Number Nine moved downtown to its present location, the cellar level of an old mansion where wall-to-wall high-tech recording equipment is stuffed into a small low-ceilinged studio.

Since relocating, the partners have added a new "arm" to the business. The company acquired a computerized digital editing system that, Zolis says, has amazing flexibility. It allows greater recording control, resulting in a richer sound.

Now, Rondina and Zolis have expansion on their minds. They're generating enough business for three more studios and are trying to raise venture capital. And with upgraded equipment, they hope to be able to compete with studios in New York and Los Angeles.

Equity programs benefit workplace those who have tried them report

By Barbara Aarsteinsen
TORONTO STAR

Toronto firefighters aren't the only ones panicked by the prospect of affirmative action. Fear and resistance are common reactions in most workplaces when the issue of employment equity is broached.

Ironically, however, those organizations that have plunged headlong into the fray say that once that initial anxiety and hostility is eased with some education, formal programs gradually come to be regarded as just another workplace policy.

Moreover, they say, they are convinced that their organizations have truly benefited in the process — becoming more humane workplaces for all employees and gaining a competitive advantage by more conscientiously opening up to a wider pool of talent.

"Employment equity programs are not costly — they're not terribly expensive to maintain," said Jim Keyser, a senior consulting

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associate at Coopers & Lybrand. "And they can work to the advantage of companies.

"If you're not maximizing the productivity of your human resources, then you're not achieving what you could be achieving," he said.

For example, as one result of the employment equity requirements of Ontario's Police Services Act, there will eventually be a standardized process across the province for hiring constables. Right now, there is a hodgepodge of criteria among police forces.

And that uniform standard, which will be developed over three years, will not only be good for women and visible minorities, but for all applicants and police officers, says Sherry Baker, employment equity manager in the Race Relations and Policy Unit of the Ministry of the Solicitor-General.

For instance, all potential recruits will be judged by re-evaluated tests — tests that will better reflect "job-relevant criteria" — she said, which makes for fairer opportunities for everybody. Changing jobs from one force to another, for example, would also be simpler with a consistent hiring standard in place.

"People have to understand that employment equity is about more than just a numbers game," said Baker. "Setting quotas or numeric goals is only a measurement tool. The real guts of such a program is about eliminating barriers and developing good human resources practices."

According to Gwen McCauley, associate director of employment equity at Bell Canada, her company has become more sensitive to the needs of employees in general as a consequence of trying to be more sensitive to the specific requirements of women and visible minorities.

That can range, she said, from religious considerations and sex-

ual orientation issues to the desire for alternative work schedules and arrangements.

"You can easily forget that there are all kinds of special interests out there and if you do that you're going to have part of your work force that feels alienated, isolated and frustrated," said McCauley. "Equity employment programs are not a threat — they are the way of the future."

Gillian Bennett, an employment equity manager at Ontario Hydro, says employees in general now feel freer about asking questions and issuing challenges in a variety of areas because of the re-evaluation that is now being done to try to eliminate discrimination in the workplace.

"I think there is a greater openness," she said. "Everybody is benefiting from a second look at our policies and practices."

Employment equity also makes sound business sense, said Peter Caldwell, director of human resources planning and development. Please see FEW/page B6

Next meet must address world economic woes, G-7 leaders say

By Rich Miller
REUTERS NEWS AGENCY

NEW YORK — Delegates from leading industrial countries praised President Bill Clinton's plan to cut the U.S. budget deficit but voiced concern about the troubled world and Russian economies at a closed-door meeting Saturday, diplomats said.

The session of senior officials, the first economic gathering of major nations since Clinton took power last month, reached no decisions and was mainly designed to prepare the way for a full-scale ministerial meeting of the Group of Seven on February 27.

U.S. officials hope that Washington can strike a deal with its G-7 allies in the coming months on a common strategy to spur lagging global growth and are optimistic that Clinton's new economic plan will help them achieve that.

America's G-7 allies — Britain, Canada, France, Germany, Italy and Japan — have been pressing it for years to put its fiscal house in order and that's exactly what Clinton's plan hopes to do.

"If we get this package through... that puts us in a much more credible position, a more influential position where this country can restore its rightful leadership and help G-7 countries," U.S. Treasury Secretary Lloyd Bentsen said Friday.

Diplomats said that the G-7 deputy finance ministers who met here Saturday appeared impressed by the plan and voiced hopes that it would be passed by Congress.

But that does not mean the United States will have an easy time convincing its G-7 allies to take the action it thinks necessary to spur world growth that they all agree is too slow.

High German interest rates have driven that country into recession and have slowed growth throughout all of Europe.

But Germany's room for manoeuvre remains limited as it continues to struggle with the cost of reunification a couple of years ago, diplomats said.

Japan's economy, too, is sputtering and its trade surplus is soaring. That's also a concern of the G-7, diplomats said.

U.S. officials have urged Tokyo to pump up its economy with higher government spending and/or lower taxes, saying that the increased domestic demand would boost Japan's imports and help cut its record trade surplus.

Japan argues that it has already taken steps to pump up growth — a supplementary budget passed at the end of last year

Yen worries Tokyo/B2

is just now starting to affect the economy — and it wants to see their impact before deciding whether to act again.

Bentsen on Friday also called for a stronger Japanese yen. A stronger yen makes Japanese goods less competitive on world markets, acting to lower the country's trade surplus.

Until recently, Tokyo had generally welcomed the yen's advance, viewing it as a way to defuse protectionist sentiment in the United States and Europe.

But the currency's relentless rise — the yen gained nearly 2 per cent this past week alone — now seems to have begun to worry some Tokyo policymakers deeply.

Diplomats said the deputy finance ministers also discussed the plight of Russia's economy during their five-hour meeting.

Moscow has failed to live up fully to its pledge to the G-7 to reform its economy and is on the verge of hyper-inflation.

Earlier last week, Bentsen warned Russia that the effectiveness of Western assistance depended on the strength of its reforms, especially its efforts to stabilize its economy.

Top buyer said to remain with GM

DETROIT (Special) — Contrary to rumors swirling in the German press that he's bolting to Volkswagen, General Motors' purchasing czar Ignacio Lopez de Arriortua is staying put.

"He's not leaving General Motors. He's happy here and he's staying," said GM spokespersons Toni Simonetti.

In the past week, *Der Spiegel*, a German newsmagazine, and the *Frankfurter Allgemeine Zeitung* newspaper, have reported that Volkswagen is about to hire the Spanish-born Lopez to head its purchasing operations.

Lopez, who has headed GM's worldwide purchasing since last May, has angered suppliers by demanding they cut prices by at least 20 per cent and reopen all contracts for rebidding.

But analysts and GM executives say Lopez has played a major role in turning around the company's troubled North American car business, which lost \$12.4 billion (U.S.) in 1991 and 1992.

For example, J.T. Battenberg III, head of GM's components group, has estimated that raw material costs for the seven divisions under him will fall by at least \$650 million this year, largely because of Lopez's efforts.

So, whether suppliers love him or hate him, he's a hot commodity these days. Next month, *Automotive Industries*, a trade publication will name Lopez Man of the Year.

Lopez would not be interviewed Friday about the reports. "He doesn't want to dignify the speculation," Simonetti said.

Last month, *Automotive News* reported rumors that Lopez might leave General Motors; but on Feb. 2 Lopez was promoted to group executive for worldwide purchasing, placing him among the automakers' top 12 executives. NIGHT-RIDER NEWSPAPERS



LLOYD BENTSEN: intends to put America's fiscal house in order.