

Congressionally Mandated Performance Fee Puts Local Jobs at Risk

Issue

At the behest of the big record labels, legislation has been discussed in Congress to impose a new performance fee, or tax, on local radio broadcasters, simply for airing music on the radio. Ironically, radio is the number one promotional tool for record labels and performers. A performance tax could financially cripple local radio stations, putting jobs at risk, stifling new artists trying to break into the business and harming the more than 240 million Americans who rely on local radio. Moreover, a number of recent private deals between radio companies and record labels to compensate copyright owners and performers prove there is no real need for government involvement.

History

Recognizing the promotional value of free radio airplay, Congress has repeatedly rejected the record labels' attempts to impose a harmful performance tax on local radio stations.

Broadcasters are firmly opposed to a congressionally mandated performance fee, and have worked with bipartisan leaders in the House and Senate to introduce the Local Radio Freedom Act, which opposes any new tax, fee or royalty on local radio stations. The legislation – H. Con. Res. 17, led by Reps. Mike Conaway (TX-11) and Gene Green (TX-29) and its companion, S. Con. Res. 4, led by Sens. John Barrasso (WY) and Heidi Heitkamp (ND) – was introduced with nearly 100 cosponsors and is steadily gaining support. In the 113th Congress, this legislation garnered nearly 250 cosponsors in both chambers.

Broadcasters demonstrated good faith in working with the record labels to try to resolve the performance tax issue in previous Congresses through private discussions, yet musicFIRST, representing the big record labels and performers, rejected compromise and walked away from negotiations. Since that time, however, numerous radio companies and record labels have negotiated private deals of their own that compensate copyright owners and performers, demonstrating the ability of the marketplace to best address the issue.

Also in the 113th Congress, issues related to performance tax were raised by individual members of Congress including HR. 4588, the Protecting the Rights of Musicians Act, introduced by Reps. Marsha Blackburn (TN-7) and Anna Eshoo (CA-18), ranking member of the Energy and Commerce, Communications and Technology Subcommittee. This bill attempted to prohibit television stations from receiving retransmission consent payments if the parent company also owns radio stations that do not pay performers.

Broadcasters are strongly opposed to this unnecessary legislation, especially in light of recent marketplace deals.

NAB Position

For more than 80 years, record labels and performers have thrived from radio airplay – which is essentially free advertising – from local radio broadcasters. Free, broadcast radio touches more than 240 million listeners a week, a number that dwarfs the reach of Internet and satellite radio.

A 2013 survey found that AM/FM radio is the top source for those seeking to learn about new music, far surpassing online and other sources. Free radio airplay provides the recording industry increased popularity, visibility and record sales for both established and upcoming artists. The promotion by local radio does not just include the music; it includes concert and festival promotion, on-air interviews and online and social media marketing.

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The fact is that big record labels find themselves struggling economically and are seeking to recoup revenues on the backs of local radio stations that are, ironically, their greatest promotional tool.

Performance tax legislation would hurt the local radio stations that communities depend on for entertainment, local news and vital information during times of crisis and would put numerous jobs at risk. Recent private agreements between broadcasters and record labels that compensate artists and copyright owners for Internet and over-the-air play demonstrate that this issue is more appropriately addressed through private sector resolution rather than a government mandate.

Action Needed

Congress should not mandate a performance tax on free, local radio broadcasters that would jeopardize local jobs, prevent new artists from breaking into the recording business and harm the more than 240 million Americans who rely on local radio.

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