Support Your Local Radio Stations: Oppose the "Free Market Royalty Act"

- Rep. Mel Watt (NC-12) introduced the "Free Market Royalty Act" (H.R. 3219), legislation that imposes a new performance fee, or tax, on local radio stations simply for airing music for **free** to listeners.

- H.R. 3219 would harm all radio broadcasters – large and small. The damage caused by a new performance tax spreads well beyond just local radio stations – it threatens new artists trying to break into the music business, small businesses that rely on radio to reach local consumers and listeners who rely on local radio's service.

- Contrary to its name, the market that would be created by H.R. 3219 is anything but free.
  - In fact, the bill would vest unprecedented market power in the already highly concentrated record industry – according to Nielsen SoundScan, in 2012 the three major labels controlled 88.5 percent of the market. This bill permits these same record labels to collude through a government sanctioned and statutorily created monopoly known as SoundExchange.
  - This bill creates the opposite of a free market by mandating that radio stations negotiate through SoundExchange, making a monopoly the gatekeeper to radio music airplay for **every** artist.

- Contrary to the record label's misrepresentations, this performance tax is less about benefiting the artists and more about rewarding the big record labels. H.R. 3219 would funnel billions of dollars to these overseas record labels by requiring that a full **50 percent** of fees collected under the bill go straight into the pockets of the recording industry.

- For over 80 years, the record labels and performers have thrived from the free advertising provided by local broadcasters. This free airplay, which touches 243 million listeners a week, provides the recording industry with increased visibility and record sales. In fact, the promotional value to the big record labels from free radio airplay translates to up to $2.4 billion in music sales annually with 85 percent of listeners identifying local radio as the first place they heard new music.

- The free promotion that record labels and performers receive from radio airplay drives the billions of dollars in annual album and concert sales that has made the U.S. recording industry the envy of the world.
  - In fact, the U.S. recording industry is larger than that of the U.K., France, Germany, Canada, Australia, Italy, Spain and Mexico **combined**, all of which have performance fee regimes. The U.S. system is successful because it provides the epitome of fairness for all parties: free music for free promotion.

- Recent private agreements between individual broadcasters and record labels that include pay for terrestrial airplay illustrate that this issue is best addressed by the private marketplace. This legislation would simply tilt the scales in favor of the record labels.

- Reps. Mike Conaway (TX-11) and Gene Green (TX-29) have introduced H. Con. Res. 16, the "Local Radio Freedom Act," a resolution that opposes a new performance tax on local radio stations. A companion bill, S. Con. Res. 6, was introduced in the Senate by Sens. John Barrasso (WY) and Heidi Heitkamp (ND). This legislation is supported by more than 170 bipartisan members of the House and 12 senators.

Your local radio stations strongly urge you to cosponsor the Local Radio Freedom Act.

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