



February 4, 2009

The Honorable Nancy Pelosi
United States House of Representatives
235 Cannon House Office Building
Washington DC, 20515

Dear Speaker Pelosi:

Today, on behalf of the big, internationally owned record labels, legislation was introduced in the House that will mandate local radio stations pay a new "performance fee" to the recording industry for the music they air for free on the radio.

On behalf of the 14,000 local radio stations nationwide, I am writing to express strong opposition to H.R. 848 and respectfully request that you refrain from cosponsoring this legislation.

Local radio broadcasters consider this fee a "performance tax" that will not only harm your local radio stations, but will threaten new artists trying to break into the business as well as your constituents who rely on local radio. Although the proponents of H.R. 848 claim this bill is about compensating artists, in actuality at least half of this fee will go directly into the pockets of the big record labels, funneling billions of dollars to companies based overseas.

For more than 80 years, a symbiotic relationship has existed between local radio stations and the recording industry. Record labels and performers thrive financially from free radio airplay and local radio benefits from advertising dollars generated from playing the music. This free airplay touches 235 million listeners a week, and provides the big record labels and their artists increased popularity, visibility and record sales. A recent economic study concluded that the promotion from radio airplay is directly responsible for \$1.5-2.4 billion worth of music sales for the big record labels – and that figure doesn't even include the additional billions in promotion for concert tickets and merchandise sales.

In fact, 85 percent of listeners of all audio services identify radio as the place they first heard music that they purchased. The recording industry relies on the

exposure that only local radio stations can provide, as stated by a record label executive:

"It is clearly the number one way that we're getting our music exposed. Nothing else affects retail sales the way terrestrial radio does." --Tom Biery, Senior Vice President for Promotion, Warner Bros. Records, 2005.

Congress has long recognized the inherent value of free radio promotion to record labels and artists. For that reason, Congress has repeatedly declined to impose a performance tax on local radio. In fact, every time Congress has looked at this issue, it has rejected calls to impose such a tax on broadcasters. In 1971 and 1976, Congress considered and refused to grant a performance tax. In 1995, Congress again opted not to impose a performance tax on broadcasters so as not to jeopardize what Congress called "the mutually beneficial economic relationship between the recording and traditional broadcasting industries." House Report 104-274 (1995)

Last Congress, more than a majority of the House of Representatives sided with their local radio stations in opposing a performance tax. H. Con. Res. 244, the "Local Radio Freedom Act," introduced by Reps. Gene Green (TX-29) and Mike Conaway (TX-11), collected **226 bipartisan cosponsors**. Reps. Green and Conaway are planning to reintroduce their resolution in the 111th Congress and I hope you will agree to cosponsor this important effort.

The system in place today fairly compensates everyone. The free promotion that record labels and artists receive from radio airplay drives album and concert sales, which ultimately results in compensation for the record labels and artists. Although the big record labels have seen their revenues decline over the last decade, local radio broadcasters are not the reason the recording industry is losing money, and it should not be the industry to fix it.

The existing system actually provides the epitome of fairness for all parties: **free music for free promotion. For these reasons, I urge you to refrain from cosponsoring H.R. 848 and oppose the imposition of any new performance tax on local radio broadcasters for the benefit of the big, internationally-owned record labels.**

Should you have any questions, please feel free to contact me or the NAB Government Relations Department at 202-429-7150.

Sincerely,



David K. Rehr