NEW YORK (Reuters) - The love affair between record labels and Apple Computer Inc. (Nasdaq: AAPL - news) could be headed for the rocks as they bicker over prices ahead of licensing renegotiations set for early next year.

The licensing agreements between Apple, maker of the wildly popular iPod digital music player and operator of the most widely used music download service, and the record labels are set to expire next spring.

Both sides, which have benefited enormously from music sales created by the iPod phenomenon, are jockeying for position.

Apple's chief executive Steve Jobs, believed by some to be the savior of the music industry, insists that prices should be uniform at 99 cents a song and $9.99 an album, saying that the buying experience for consumers should be simple.

Record executives, however, are seeking some flexibility in prices, including the ability to charge more for some songs and less for others, the way they do in the traditional retail world.

"There's no content in the world that has doesn't have some price flexibility," said Warner Music Group Corp. (NYSE: WMG - news) chief executive Edgar Bronfman at the Goldman Sachs Communacopia investor conference here. "Not all songs are created equal. Not all albums are created equal.

"That's not to say we want to raise prices across the board or that we don't believe in a 99-cent price point for most music," he said. "But there are some songs for which consumers would be willing to pay more. And some we'd be willing to sell for less."

Apple's Jobs blasted the record industry for mulling higher prices. "If they want to raise the prices, it means that they are getting greedy," he said at a press conference, adding...
that if the price goes up, the industry faces a higher risk of piracy.

Hit hard over the past five years by the rapid spread of illegal song copying over the Internet, record companies -- Universal Music Group, Sony BMG, EMI Group Plc (EMI.L) and Warner Music -- have struggled to revamp their business as sales shift to more legal digital downloads from physical CDs.

The music industry was also aided by key legal victories against so-called peer-to-peer services, which allowed users to use the Internet to download music from one another's computers without permission from artists and labels.

Apple, for its part, played a huge role in setting that transition in motion with its iTunes service, by far the most popular legal Internet music service with about 70 percent share of digital downloads. iPods have a similar share in the digital music player market.

With that commanding lead in digital players and rave reviews for its new ultra-slim and sleek iPod nano, some have speculated that Apple will have the upper hand in negotiations over new licensing agreements.

"The launch of the iPod Nano continues to demonstrate why Apple is likely to remain the dominant force in digital music at least over the next 12 months, if not considerably longer," wrote Fulcrum Global Partners analyst Richard Greenfield in a recent note.

"With Apple's dominant market share, we believe music companies such as Warner Music and EMI have very little power to alter pricing from the current 99-cent level," he said, noting that Apple is more focused on selling iPods than increasing profitability of music sales for the labels.

Bronfman downplayed Apple's leverage. "iTunes needs our music as much as we need iTunes," he told Reuters on the sidelines of the Goldman conferences.

One record executive who requested anonymity countered that Apple's dominance is somewhat overstated. "The fact is that 50 percent of digital sales is ringtones," he said. "Mobile phones are going to get a bigger share of the download market over time."

He also noted that subscriptions services, such as Napster and Yahoo will gain traction.

Jupiter analyst David Card said the labels have a love-hate relationship with Apple. "On one hand they're suspicious of them because of how big their market share is and the fact that they have that uniform pricing," he said. "On the other hand, they legitimized the digital music business."

He does not expect Apple's dominance to last forever, however. "Like any other consumer electronics innovation, over time it becomes a mainstream item and becomes commoditized. At some point, its market share will decline," he said.

"But what innovations like the Nano prove is that dominance could last much longer than many people in the industry expected it to," he added.