E.U. Reaches iTunes Deal With Apple

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BRUSSELS, Belgium (AP) -- Apple Inc. will scrap online pricing policies across Europe for iTunes music downloads and soon charge consumers in Britain and the rest of Europe the same amount, the company and the European Union said Wednesday.

Apple charges about 9 cents more per song in Britain compared with prices in nations that use the euro. The company said it has to pay more to record companies in Britain for distribution rights.

The maker of the popular iPod media players had been under investigation since April by EU authorities after a British consumer group complained that Apple and major record companies were unfairly restricting choice and ramping up the cost of downloads.

The European Commission said it had closed an antitrust probe into Apple's iTunes operation after finding no evidence that EU laws were broken. However, the EU said some copyright issues involving Apple remain.

EU Competition Commissioner Neelie Kroes welcomed the agreement, saying it would "allow consumers to benefit from a truly single market for music downloads" across the 27-nation bloc.

Apple said it will lower prices for music on its British iTunes site "within six months" to match prices charged at 16 iTunes stores across Europe and "reconsider" ties with companies if they do not lower wholesale prices in the UK during that same period.

"This is an important step toward a pan-European marketplace for music," said Apple Chief Executive Steve Jobs in a statement.

EU regulators said Apple's distribution agreements contained territorial restrictions which violate EU competition rules because consumers can only download music from the iTunes store in their country of residence. Music buyers must provide a credit card issued by a bank with an address in the country where they live.

Downloading a single in Britain costs 79 pence compared with 99 euro cents in Europe, a difference of about 9 cents allowing for currency conversion. The new price in Britain would be in line with prices paid in the United States.
The European Commission said it would not address other complaints over copyright restrictions which Apple says it is forced to abide with.

The EU executive office said there is "no agreement" between Apple and major record companies on how iTunes stores are organized in Europe, notably on allowing consumers to download music from an iTunes store outside their country of residence.

The commission said consumers should be allowed to make purchases from iTunes "without restrictions." But it said it was aware that the licensing practices of some record companies and publishers make it "difficult for iTunes to operate stores accessible for a European consumer anywhere in the EU."

Steve Jobs said Wednesday he would continue to try to convince record companies to lift restrictions so Apple can set up a single iTunes store for all of Europe.

"We hope every major record label will take a pan-European view of pricing," Jobs said.

Online music downloads in Europe still lag behind the United States, pulling in just a fraction of revenues the record industry is losing from falling CD sales.

A report published this week by technology consultancy JupiterResearch said digital music spending last year was 401.2 million euros ($590 million), up 63 percent from 2006, but only 13 percent of lost CD sales throughout the year.
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