Deals could be close on Internet radio

By Seth Sutel, AP Business Writer  |  September 10, 2007

NEW YORK -- Listening to radio over the Internet is easier than ever, as high-speed connections have proliferated and online offerings become more sophisticated. Now the legal aspects may be falling into place too.

The music industry and online broadcasters have been duking it out for months over the royalties that should be paid to record labels and artists, but there are signs that the logjam could break as early as this month.

John Simson, the head of SoundExchange, a music industry group that collects royalties from digital broadcasters and distributes them to artists and labels, said he is optimistic about reaching an agreement soon with public radio stations, possibly by the end of September.

Resolving questions over royalties for online broadcasting is critical for the futures of both the music and radio industries as people increasingly use portable listening devices like Apple Inc.’s iPod and desktop computers as a substitute for radio broadcasts. Sales of music CDs have also been tumbling, and record labels are trying hard to find new ways of building revenues and adapting to changing consumer habits.

Wading through the complex issues, however, has taken longer than many had hoped. A lobbying group for the broadcast industry, the National Association of Broadcasters, said it's disappointed it hasn't heard back from SoundExchange about its proposals for three months.

SoundExchange’s agreements with public radio stations -- as well as parallel agreements with other broadcasters, terrestrial and online -- expired in 2005. And a decision in March by a three-judge panel of copyright judges imposed higher royalties on all parties that stream music online and made no exceptions for public broadcasters.

Public radio stations, which have been able to broadcast music online under better terms than commercial stations, may now be closest to a deal.

Mike Riksen, NPR's vice president of government relations, said NPR was in the midst of a wide-ranging survey of the online usage habits of public radio listeners that was "very complex and very time-consuming," but he expected to meet with SoundExchange soon to discuss the results.

The talks with NPR are one of several tracks of negotiations that the music industry is pursuing with different groups of Internet radio broadcasters.

NPR may be the first large organization to reach a comprehensive agreement with music rights holders.

Radio stations that stream music over their Web sites as well as online-only companies such as Yahoo Inc., AOL (a part of Time Warner Inc.) and Pandora Media Inc. all pay royalties to artists and record labels for the right to stream music online.

But terrestrial radio companies traditionally haven't paid royalties, on the principle that the labels and artists got promotional value for music sales from getting play on the air.

Last month SoundExchange reached an agreement with a group representing online companies such as Yahoo, AOL and Pandora to cap the per-channel fees that broadcasters would pay, on top of royalties.

Still to be decided is the even larger issue of what the new royalty rates should be.

The copyright judges ruled that online broadcasters must pay higher royalties per song, per listener, for every song delivered. The judges also set out specific per-song rates, but the two sides are talking about setting new rates.

Jonathan Potter, executive director of the Digital Media Association, whose members include large commercial Webcasters such as Yahoo, RealNetworks Inc. and Pandora, says he's "cautiously optimistic" about reaching a deal in the next several weeks.

Potter declined to go into details of the discussions, but he indicated that the industry was eager to get the rates issue out of the way.

"We're in a holding pattern," Potter said. "This is obviously not the time for people to be launching new ventures. We've got to resolve this before the industry can get to the next level."

National Association of Broadcasters spokesman Dennis Wharton called the wait for a response from SoundExchange "disappointing."

Simson, with the SoundExchange, noted that the music industry's multitrack talks with the various groups of Internet radio operators has been extraordinarily complex and said talks are moving ahead as expeditiously as possible.

"It takes a fair amount of work, and we've been doing the due diligence" on assessing NAB's proposals, Simson said. ■

© Copyright 2007 Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.