Recording firms face legislators' scrutiny


SACRAMENTO -- Record companies plagued by steadily declining sales now face legislation, both in California and in New York, that will attack contract and accounting practices.

Last year, California legislators convened hearings involving disgruntled recording artists and their record companies. The artists said the industry had cheated them; the record executives complained about spoiled superstars.

Stars, including Carole King, Montel Jordan, Fleetwood Mac's Stevie Nicks, and the Backstreet Boys' Kevin Richardson, complained of short earnings and long contracts. Clint Black, the country singer, said he owed his label money, although he had sold millions of records. Merle Haggard has made similar charges of underreported royalties.

No laws were passed in California, and two major music firms pledged to reform their dealings with artists. But state Senator Kevin Murray, a former music agent who led last year's attack, is introducing four bills this year that would change how the industry signs and pays its artists.

"I still think a lot of this is ripe for discussions with the companies and the artists," Murray said of the industry, which employs 28,000 Californians.

Murray's bills aim generally to toughen penalties for companies that underpay recording artists. The bills also provide greater access to internal accounting within labels. Murray would also modernize and simplify royalty
investigations

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accounting methods, some of which date to vinyl albums.

The new bills are coming due as falling sales are shaking the industry. New York-based Nielsen SoundScan says the music business sold 104 million fewer CDs and cassettes in 2002 than in 2000.

Cary Sherman, president of the Recording Industry Association of America, said Murray's bills had hurt an industry that has seen artists and their labels fighting piracy and illegal downloading.

"Collectively, industry artists and labels alike are seeing layoffs, retail stores closing, double-digit sales declines; and that impacts the economics of everybody," Sherman said.

Stung by criticism last year from stars such as Hole's Courtney Love and the Eagles' Don Henley, and unsettled by attacks on the industry's financial integrity, two of the music industry's biggest players, the French-owned Universal Music Group and the German-owned Bertelsmann Music Group, have floated some reforms similar to those proposed by Murray.

Both firms are considering ideas to simplify industry accounting methods, to become more receptive to outside audits, and, for the first time, to tell artists the number of CDs they've manufactured. For years musicians have never been given the numbers. This has led many to suspect that some CDs bring them no money.

"There does seem to be a change in the wind in terms of attitude," said Donald Passman, a Beverly Hills music lawyer and author of the book "All You Need to Know About the Music Business."

But Passman, like others who interact with a recording industry dominated by five global giants, said it's too early to tell if anything is really happening.

A California auditor, Fred Wolinsky, said he has yet to see any records from CD manufacturers for his artist clients. "I'll believe it when I see them," he said.

A fourth Murray bill would impose seven-year limits on the contracts that record labels sign with their artists, making California's rules for the record business more like those for its movie business. Musical acts from the Dixie Chicks to LeAnn Rimes and Sheryl Crow complained last year that the record industry's standard contract for several albums can
bind artists to the same company for much of their careers.

In New York, where recording is also a major industry, Sheldon Silver, the state's Assembly speaker, expects to reintroduce a bill called the Artistic Freedom Act limiting contracts to seven years. Meanwhile, staff members for Representative John Conyers, Democrat of Michigan, who has discussed national legislation to limit contracts, says colleagues are "waiting to see what happens in California."

Record industry representatives who won a 1987 exemption to California labor law for the practice say they need long-term contracts for successful artists to cover the losses of acts that fail. Seven-year limits, said the Recording Industry Association of America's Sherman, would simply "let artists walk away from their contractual commitments."

Artists, Sherman said, have bigger issues. "The fact is," he said, "the seven-year issue is of no relevance to an artist who can't make a living because everybody is downloading for free."


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