

National
Religious
Broadcasters

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Christian

Communicators

Impacting

the World



November 19, 2009

The Honorable Darrell Issa
U.S. House of Representatives
2347 Rayburn HOB
Washington, DC 20515

Dear Mr. Issa:

Please accept our thanks for your leadership in arranging the discussion concerning sound recording performance royalties that took place on Tuesday. Every honest dialogue of this type has benefit.

However, I must confess that the dialogue on H.R. 848 had a familiar ring to it. On one side of the table was a large and impressive array of capable and articulate music industry representatives and on the other side of the table a small complement of local AM/FM radio broadcast representatives. The major agenda item for this "dialogue" seemed to be a straightforward question that you articulated quite succinctly: "Will the broadcasters modify their opposition to H.R. 848?"

I write today, because you asked the correct question, and it is worthy of a direct answer.

The NRB can not support H.R. 848 or any similar bill for the following reasons:

1. It is based upon a fundamentally flawed premise.

At its core H.R. 848 is fundamentally flawed because it rests on the premise that all the value in the radio airplay of music flows to radio broadcasters. This notion is disproven by both reason and experience.

Advertisers, sponsors and program syndicators pay for placement on radio because of the substantive and significant benefits they receive from over-the-air carriage. This demonstrable value of radio airtime is conceptually and functionally ignored in the discussions over a new performance royalty.

2. It maintains a polite fiction.

H.R. 848 requires that a new performance royalty be considered as a stand-alone issue, all the while seemingly ignoring the multiple royalty regimes under which broadcasters are already significantly burdened. The only rational basis for viewing the royalties required for the use of music is to view them collectively. It is the total cost of all royalties that must be used to

determine the value derived by each party to what has heretofore been a mutually beneficial relationship.

3. It ignores the hard reality of how royalty regimes function.

H.R. 848 ignores the expansive nature of existing royalty regimes. These existing royalties are multiple and seem to be ever-increasing. Based upon a report prepared by the NRB Music License Committee, the music licensing fees paid by the average NRB radio member will “roughly double” for the years 2008 – 2012. And this increase builds upon significant prior-year increases. Furthermore, royalties impose direct as well as significant indirect reporting and record keeping compliance costs on broadcasters, making the total costs of operating under the existing royalty regimes far greater.

4. It is based upon an unsustainable assumption.

Implicit within H.R. 848 is the false assumption that broadcasters can significantly add to their cost structure without consequence. The flawed logic of this assumption is borne out every month as every NRB member works to meet their payroll obligations and balance the operating budget.

Christian radio (like all over-the-air broadcasters) does not charge listeners, and therefore cannot pass rising costs onto the “end-users” of the music they play. However, Christian radio must compete with satellite radio and music download services that charge the “user” directly, either by subscription fee or by downloading charges.

Furthermore, with 64% of NRB members operating non-commercial stations, we must compete for listeners in the radio marketplace, as well as identify and serve individuals in the donor marketplace. The notion that we can, as a matter of course, just absorb significant cost increases does not square with reality. Several Christian radio stations have already gone silent this year due to financial hardship.

Here then is the answer to your cogent question. While our answer is unequivocally “No”, we offer it respectfully and with appreciation for your service to our nation.

Sincerely,

A handwritten signature in blue ink that reads "Frank Wright". The signature is stylized with a large, sweeping "F" and a cursive "Wright".

Frank Wright, Ph.D.
President & CEO