

**Oral Statement of Steve Newberry**  
**House Committee Energy & Commerce Subcommittee on Communications and**  
**Technology**  
**“The Future of Audio”**  
**June 6, 2012**

\* \* \* **As Prepared for Delivery** \* \* \*

Good morning Chairman Walden, Ranking Member Eshoo and members of the Committee. My name is Steve Newberry and I am President and CEO of Commonwealth Broadcasting Corporation, which operates 24 radio stations in Kentucky.

The “future of audio” is a broad title for a hearing, but as a radio broadcaster who’s been in the business since I was 14-years old, I believe the future of radio broadcasting is bright.

Not only does radio provide free entertainment, but the radio industry is responsible for hundreds of thousands of jobs, delivers crucial information during times of crisis, reaches deeply into underserved communities and gives back to its listeners in every local American Community.

There are more than 14,000 local radio stations across the country. With a growing audience, over 270 million Americans listen to radio every week - one of the most popular entertainment options **anywhere**. What makes broadcast radio so enduring is its local programming! Its connection to its community. Radio works because it forms relationships with its listeners. That’s how we differentiate ourselves from all of the other audio platforms. We are far more than **just** music or **just** news and information – we are part of the fabric of American culture and its families.

The future of radio is in maintaining our commitment to localism. As an industry we are investing in going digital – there are now over 2000 HD stations providing crystal clear, static-free audio to listeners with HD receivers. We are leveraging the Internet and streaming our radio content so no matter where you are, you can tune-in to your favorite local station. We are pushing to get our free signals available in all mobile devices so in times of emergency when broadband and cellular systems may fail, Americans in distress can still access critical emergency alert and response information.

But, as bright as our future is, radio still has our challenges. A major issue for radio is one we call the “performance tax.” As you may know, the recording industry would like Congress to require radio stations to pay for every song we play over-the-air – songs we provide to our listeners for free.

We believe the value of the promotion an artist and record label receive from free radio airplay is equal to and exceeds the value of the music. In fact, for decades, free radio airplay has been, and continues to be the best friend of artists and record labels. Airplay exposes new music and artists to millions of Americans every day and is the engine that drives the sale of music. That’s why this system has worked for over 90 years.

And Congress also believes the current system works. When this issue was at its height in the 111<sup>th</sup> Congress, the “Local Radio Freedom Act,” which opposed any performance tax on local radio, had 262 bipartisan cosponsors in the House and 26 in the Senate.

In 2010, in the spirit of wanting to work out a fair compromise, we sat down with our friends in the music industry, and for months worked to hammer out a potential agreement. We believe we made a fair offer, but unfortunately the musicFIRST coalition declined our offer and never returned to the negotiating table.

Since November 2010, we have been ready to sit down, roll up our sleeves and work to find common ground that properly recognizes the promotional value of broadcaster airplay and the value of the music.

Yesterday, a negotiated royalty deal between Clear Channel Radio and Big Machine Records was announced. As I understand the details, Clear Channel has agreed to pay a percentage of advertising revenue for Big Machine’s songs whether they are heard digitally or terrestrially. It is a free enterprise transaction between two willing parties. With no government involvement.

From NAB’s perspective, nothing about this deal changes our strong opposition to a congressionally-mandated performance tax.

What this announced deal really highlights is the major challenge we face as radio continues to grow online and into other new platforms. The current royalty structure for webcasting is broken. When initially set in 2007 and then built upon in 2009, the rates set by the Copyright Royalty Board were universally decried as being ridiculously high. So high that radio stations cannot afford to be successful online – the more music listeners you attract, the *less* profitable it becomes.

Believe me, radio broadcasters want to take advantage of all the possibilities the Internet presents, but these royalty rates create a financial disincentive to webcast, and solving this problem for broadcasters is essential. If we want music streaming to survive, we need to find a way to strike a better balance between royalty payments and platform growth, which at the end of the day, helps broadcasters and artists.

In summary, the future of radio is strong. New technologies like HD, a robust, ubiquitous delivery platform of local, over-the-air radio stations, and new delivery methods, will enable radio to serve our local listeners for decades to come.

I believe local broadcast radio has a very bright future and I’m proud to be a part of this industry. Thank you and I look forward to answering your questions.

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