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**Free Radio Alliance Forms to Fight "Performance Tax" Proposal
Pushed by the Recording Industry**

Key Community, Latino and African American groups join with non-profit organizations, hospitality industry and state broadcaster organizations

Earlier today, a coalition of local radio broadcasters, Latino and African American groups, non-profit associations and other community groups announced their intention to form the Free Radio Alliance to oppose a "performance tax" being pushed in Congress by the recording industry lobby. Although still in the beginning stages, the Free Radio Alliance already boasts 30 plus members and continues to grow.

"More than half of the proposed performance tax would go to line the pockets of the record-label conglomerates, three out of four which are headquartered in other countries," explained Free Radio spokesperson Cathy Rought. "The record labels are desperately looking for financial help to support their failing business model, and they are doing so at the expense of local communities across the country. The Free Radio Alliance is organizing a grassroots campaign to stop this tax in its tracks."

One of the unintended consequences of imposing a new performance tax is its attack on minority, niche and community radio. "The victims of this tax would include smaller, specialized radio stations that serve as the cultural lifeline to numerous religious, Hispanic, African American and other niche communities," continued Rought. "Many of these stations have a very modest operating budget, yet would be expected to equally shoulder their portion of the reported \$2 to \$7 billion tax. The performance tax would harm the diversity in American radio, against the rightful priorities that Congress and the FCC have set to reinforce diversity over our airwaves."

The performance tax would also have a tremendous impact on the non-profit community. Non-profit organizations traditionally have less financial resources to

create awareness about their cause or to ask for help, and radio has always helped these groups elevate their voice through public service announcements, donated airtime and fundraising drives. In fact, in 2005 alone, the average radio station ran 169 public service announcements per week with a projected value of \$5.05 billion in donated airtime. With the proposed tax, local stations would be forced to use more airtime for advertisements to counter the \$2 to \$7 billion lost as a result of the performance tax. "Many non-profit organizations could lose their number one vehicle for getting their stories told," explained Rought. "Bailing out the international recording industry conglomerates should not trump the needs within our local communities."

The record labels point to other countries to make the case for a new performance tax, but the comparison is inherently flawed according to Rought. "Comparing American radio to radio in other countries is a truly apples-to-oranges comparison. Radio, in many other countries, is either owned and operated or subsidized by the government, including the BBC. This means that these countries also subsidize or help to fund their media. The US has a very different model."

If the record labels embrace the performance tax models of other countries, restaurants, bars, jukebox operators, retail stores and other industries that play pre-recorded music to the public will also be subjected to the tax. "Make no mistake, small businesses would also be subjected to the tax in addition to what they already pay in royalties to artists and composers of the music," Rought explained. "The record labels have ruthlessly pursued consumers of all ages for compensation, and I can't imagine mom-and-pop small businesses will be below their radar. Even if not right away, a performance tax precedent at any level will eventually drag the fight to everybody's doorstep."

For more information on the Free Radio Alliance, please visit <http://www.freeradioalliance.org> or contact Cathy Rought at info@freeradioalliance.org or 800-954-0200