

**Before the
UNITED STATES COPYRIGHT ROYALTY JUDGES
THE LIBRARY OF CONGRESS
Washington, D.C.**

In the Matter of)	
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)	
DETERMINATION OF ROYALTY RATES)	Docket No. 14-CRB-0001-WR
FOR DIGITAL PERFORMANCE IN SOUND)	(2016-2020)
RECORDINGS AND EPHEMERAL)	
RECORDINGS (WEB IV))	
)	

**TESTIMONY OF ROBERT PITTMAN,
CHIEF EXECUTIVE OFFICER OF iHEARTMEDIA, INC.**

1. I am the Chief Executive Officer and Chairman of the Board of Directors of iHeartMedia, Inc. (“iHeartMedia”). I submit this statement in support of iHeartMedia’s direct case in the above-captioned proceeding.

BACKGROUND AND QUALIFICATIONS

2. I began my career in the music industry more than 40 years ago – when I was 15 years old – as a radio announcer in Mississippi. I was hired into my first management position, as a programmer in Pittsburgh, when I was 19. At 23, I became program director of WNBC, the NBC flagship station in New York.

3. At WNBC, I also produced and hosted *Album Tracks*, one of the first television shows to blend music, news, and video, and one of the first to use the music video format. Using the unique programming experience I developed there, I helped the Warner-Amex Satellite Entertainment Company (a joint venture of Warner Communications and American Express) develop MTV beginning in 1981, and served as MTV’s first programming chief. I became Chief Operating Officer (“COO”) of MTV Networks when it was spun off by Warner-Amex in 1983;

later, I became Chief Executive Officer (“CEO”), and oversaw MTV’s growth into the first profitable cable television network.

4. In 1986, I left MTV to found multimedia company Quantum Media, a joint venture with MCA, Inc., where I invested in a record label and a television production company, among other businesses. In 1989, I bought out MCA’s stake in Quantum Media and sold assets of Quantum Media to Warner Communications. In 1990, I was appointed President and CEO of Time Warner Enterprises, the new business division of Time Warner. In 1991, I also became Chairman and CEO of Six Flags Entertainment, where I led a rebranding effort that increased attendance at the company’s theme parks by 50 percent. In 1995, after I oversaw the majority sale of Six Flags to Boston Ventures, I became CEO of Century 21 Real Estate, where I grew the company by embracing new, Internet-based technologies that expanded the real estate market into the digital world.

5. While at Century 21, I became a member of the board of directors of America Online, Inc. In 1996, I joined AOL Networks as its President and CEO, and later became President and COO of America Online, Inc. At AOL, I led a team that expanded membership from 6 million to more than 30 million and made the company profitable for the first time. In 2001, AOL merged with Time Warner, and I became the combined company’s co-COO and later sole COO. As COO of AOL Time Warner, Inc., I oversaw Warner Music Group, among other businesses.

6. I left AOL Time Warner in 2002, and in 2003 co-founded Pilot Group LLC, a private investment firm. There, I oversaw the creation, growth, and successful acquisition of a number of companies, including television broadcasting group Barrington Broadcasting, radio broadcasting group Double O Radio, and internet gaming company Zynga Inc.

7. In November 2010, I became Chairman of Media and Entertainment Platforms for Clear Channel, where I oversaw the development of iHeartRadio, Clear Channel's digital music platform. In October 2012, I was named CEO of Clear Channel, and in 2013, I was named Chairman of Clear Channel's Board of Directors. In September 2014, I led Clear Channel's rebranding as iHeartMedia, a name that reflects the company's efforts to enhance its relationship with consumers. In my current role, I oversee all of iHeartMedia's global business, including its broadcast radio operations; online, mobile, digital and social media; live concerts and events; music research services; independent media representation; and outdoor business.

IHEARTMEDIA'S BUSINESS AND INTERNET RADIO

8. iHeartMedia operates more than 850 broadcast stations in more than 150 markets across the United States. Our stations and broadcast radio affiliates provide local news, weather, sports and music to approximately 250 million listeners each month in communities across the country. Our stations also provide a unique and vital community service during emergencies and times of crisis, as evidenced by our stations' dedication to providing ongoing updates and vital information during major disasters like Hurricane Sandy in the Northeast, massive flooding in the Midwest, and tornados in Oklahoma and Alabama. When other media fail due to power outages, radio is a critically important source of information and connection.

9. Like the rest of the radio industry, we started with AM and FM stations, but in recent years we've heeded listeners' demands to make the local radio programming they love available in more places and on more devices – at home, in their cars, and now on their computers, smartphones, and tablets. In response to listener demand, we created iHeartRadio, a digital radio service that lets users find more than 1,500 live stations from iHeartMedia and its

broadcast partners, plus digital-only programmed stations. It also includes an iHeartRadio custom radio product, which builds playlists for listeners based on the songs and artists they like.

10. From my long history in the music industry, on both the broadcaster side and the label side, I know that broadcast radio provides enormous benefits to both content creators and the public. Ninety-two percent of Americans listen to broadcast radio every week – not only for entertainment, but for critical information in times of crisis. The free advertising that radio provides to artists and labels has been valued at billions of dollars per year. In fact, the top 10 artists featured on iHeartMedia broadcast stations last year received approximately \$2.2 billion worth of airtime. It's because of that value that labels spend one-quarter to one-third of their entire operating budgets promoting their artists' music for radio play, and almost nothing by comparison in advertising – a remarkable fact, given that record companies have the same basic economic structure as other consumer packaged goods companies, which are among the largest spenders on advertisements every year. Our stations receive thousands of requests from labels each year to play their music, and artists constantly visit our stations to promote their music and concerts. By contrast, I am not aware of any artist or label that has ever asked us to stop playing their music.

11. Unfortunately, because of the high cost of digital music licensing, the mutually beneficial relationship between broadcasters, artists, labels, and the public has broken down in the context of Internet radio. Like iHeartMedia's broadcast radio stations, iHeartRadio is tremendously popular with listeners. iHeartRadio has more than 50 million registered users, and grew its audience to that size faster than Facebook and Twitter. Its mobile application has been downloaded more than 350 million times. In a few short years, Internet radio (excluding on-demand services like Spotify) has captured more than 10 percent of all radio listening, and has

become a new way for the next generation of music lovers to discover new music and artists. But despite the undeniable popularity of their product, Internet radio companies are struggling to survive. The costs of digital music licensing are so high, there is no way – or incentive – for many Internet radio companies to grow to a scale that would allow them to continue providing music to consumers, and therefore to provide a reliable stream of payments to artists over time. Innovation is being stifled, opportunities for artists and consumers are being lost, and the market is being constrained.

12. For there to be a sustainable Internet radio industry – one that provides benefits to broadcasters, labels, artists, and the public – the per-play cost of digital music licensing must be reduced significantly. The overall money paid to record companies and artists can increase, as a lower rate causes volume to increase – and total revenue paid to the music industry is equal to rate times volume – and that’s a win-win for all parties. As CEO of iHeartMedia, I’ve taken that message to the record labels, and our partners at 28 of them, including Warner Music Group, have responded by signing up for individual negotiated licensing arrangements that reflect a shared vision of a healthy Internet radio industry. Under those agreements, if iHeartMedia succeeds in growing its business, and increases its usage of its deal partners’ music, it pays less per play – much less, in fact, than what it would pay under the rates set by the prior CRB. iHeartMedia has signed up for these agreements because it knows they are the only way forward to a healthy, sustainable Internet radio industry. And the labels have signed up for them because they recognize that a functioning Internet radio market will financially benefit them, too – that higher volumes, even at lower per-play rates, are the only sustainable solution for radio and the music industry.

13. I understand that prior Copyright Royalty Boards have relied in part on licenses between the labels and interactive webcasting services like Spotify in setting Internet radio royalty rates at their current, unsustainable levels. Based on my long history in the music industry, I believe that interactive services and Internet radio services like iHeartRadio serve very different roles for both consumers and labels, and any assumption that Internet radio services should pay as much as interactive services is seriously mistaken. Interactive services like Spotify have replaced CDs and downloads as the modern equivalent of a music collection: a personally curated library that listeners turn to in order to escape the outside world. A collection is filled with the music you listen to over and over again, when you want to hide from the world, rather than engage with it. Broadcast radio and streaming stations, by contrast, are the services people turn to when they want to engage with the world, rather than escape it. Listeners “tune in” for news, weather, traffic updates, sports, contests and entertainment provided by compelling on-air personalities. And they use radio to find *new* music to love: 73 percent of listeners say it is the primary way they discover new artists, and 61 percent say they ordinarily will not purchase a song until they’ve first heard it a few times on the radio.

CONCLUSION

14. My perspective on the Internet radio market is shaped by decades of experience in the music industry, driving revenue generation for both content creators and distributors. I view the record labels as broadcasters’ partners in that industry, and I strongly believe that we do better when they do better – and vice versa. iHeartMedia and its deal partners, like Warner Music Group, have made great progress in moving the industry toward a sustainable structure that can support real growth. But the industry will continue to be hobbled until the CRB establishes royalty rates that better reflect economic reality. Once that happens, the incentives of

Internet radio companies and labels will once again be aligned, and the industry will once again be positioned to promote growth and innovation, to provide more music choices for consumers, and to generate significant and sustainable revenue for artists and their labels.

I declare under penalty of perjury that the foregoing is true and correct.



Robert Pittman



Date