



American Association  
of Independent Music

Written Testimony of  
American Association of Independent Music (A2IM)

Before the  
United State House of Representatives  
Committee on Foreign Affairs

Protecting U.S. Intellectual Property Overseas:  
The Joint Strategic Plan and Beyond

July 21, 2010

The American Association of Independent Music (“A2IM”, [www.a2im.org](http://www.a2im.org)) thanks Chairman. Howard Berman, ranking Member Ileana Ros-Lehtinen and the House of Representatives Foreign Affairs Committee for allowing us to respectfully submit our comments on the current status of International Intellectual Property as it relates to our members. A2IM is a 501(c)(6) not-for-profit trade organization representing the independent music community which, based upon label ownership not distributorship, represents over 90% of annual music label new releases of recorded music and per Nielsen/SoundScan reports. Despite market barriers to entry, independent releases represent over 30% of annual U.S. recorded music sales, including over 38% of digital sales.

A2IM was established five years ago to protect the rights of the American Independent music label community with the core mission statement of obtaining tangible economic gains for its members via advocacy, commerce opportunities, and member services, including education, most notably the Independent Music Label roadmap and resulting new media white papers on E-Mail marketing, Direct-To-Fan commerce and social networks. A2IM’s main objective is to also get independent music labels access in the new digital market place for both promotion and monetization.

The Independent Music Sector

The independent music label community A2IM's membership is made up of Independent music labels that have banded together to form a central voice advocating for the health of the Independent music sector. Our membership includes the independent music label leaders like Beggars/Matador/4AD/XL, Concord Music Group, Curb Records, Razor & Tie, Roadrunner, Windup, etc. It should be noted that our membership is not just made up of these market leaders. A2IM membership includes music labels of varying sizes and genres, many owned by artists like Alison Brown and Garry West of Nashville, Burning Spear of Brooklyn, Brett Gurewitz of Epitaph/Anti/Hellcat in L.A., the Hanson brothers in Tulsa, Joan Jett in NYC, Carol King in Idaho, Moe in Buffalo and the Skaggs Family and Gillian Welch in Nashville, etc. Many of our member labels are located across America, in addition to the traditional New York, Nashville and Southern California music areas, including Mountain Apple in Hawaii, Barsuk in Seattle, Kill Rock Stars in Portland, Six Degrees in San Francisco, Basin Street in New Orleans, Saddle Creek In Omaha, RhymeSayers in Minneapolis, Red House in St. Paul, Ghostly in Ann Arbor Alligator in Chicago, Righteous Babe in Buffalo, YepRoc in Haw River, North Carolina, Tropisounds in Miami just to name several, many of which are brands in their own rights, like Alligator is for Blues. In addition to our label members A2IM has associate members, those who work with, depend upon, or just support Independent music. All of our label members have one thing in common that they are small business people with a love for music who are trying to make a living.

The 2009 Recording Industry of America ("RIAA", [www.RIAA.com](http://www.RIAA.com)) retail statistics show the precipitous drop in music industry commerce continues. In 1999 RIAA reported revenues at retail of \$14.6 billion, all physical recorded music sales. Ten years later in 2009 total revenues reported were \$7.7 billion from all sources, which included performance income, subscription services, etc. At these levels of revenues it is hard for our industry to sustain itself and for both music creators and those who invest in that creation to make a living. The fall in music revenues has a multiplier effect on our economy due to its usage in film, TV, advertising, games, etc.

Looking abroad, A2IM supports the proposed Anti-Counterfeiting Trade Agreement (ACTA) agreement for establishing international standards on intellectual property rights enforcement as a must for our industry's survival. In addition, while the effect of piracy and the resulting music slump is a worldwide problem, the U.S. is being particularly hard hit and needs support as the U.S. is losing its place in the world music market. Per the International Federation of the Phonographic Industry ("IFPI", [www.ifpi.org](http://www.ifpi.org)) wholesale statistics, in 2005 the U.S.'s share of the international music market was 34%. In 2009 the U.S. was down to 27% market share and was, for the second year in a row, behind Japan in sales of physical CD's.

The independent music sector has been hardest hit by the music industry downturn as, unlike the major labels which all have large staffs and international offices, independent music labels in most cases have historically had smaller staffs and no international offices, resulting in lower potential economies of scale. As music revenues have declined independent music labels have been less able to reduce their staffing and have needed to invest less in signings of new artists and also reduce the amounts spent on marketing and promoting all artists, at home and abroad. This issue combined with shrinking physical retail space (with the remaining retail space being

dedicated to major label hits) and lesser digital financial terms has created a dire economic situation for our members.

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This precipitous drop has caused the international market to grow in importance for our members. However the opposite has occurred as, In addition to the overall drop in U.S. share of worldwide music sales, the IFPI has also confirmed that the percentage sales of U.S. repertoire within overseas markets is declining from 35-40% a decade ago to under 30% today. Conversely the international share of the diminishing U.S. market continues to increase, in the past ten years French exports to the U.S. increased from 2% of the French export market revenues to 25% of French export revenues. As other countries music companies receive varied types and levels of industry support from their governments, federal and local, our U.S. music industry continues to languish.

As our country's manufacturing and service sectors move abroad, Intellectual Property is one of the few potential growth areas for our economy and for exports and we, as music creators and small businessmen and investors in music creation from across the country, need our government's support. The bottom line is that the U.S. music industry sound recording creator community has reached the point where unless we get legal assistance in protecting copyrights from infringement and also get the percentage levels of performance income as is achieved in Europe it will be hard for our music creation community to have a business model that allows for both the future creation of music and the financial results to sustain itself and compete on the international stage.

We look forward to continuing to work with your Committee and the broader Congress to explore ways we may ensure this vital sector of our economy remains viable and completes on a level international playing field.

We thank you for your time and please do not hesitate to contact us with any questions at [Rich.Bengloff@A2IM.org](mailto:Rich.Bengloff@A2IM.org), 212-999-6113 Ext 1.