

Ivan L. Pitt

# Economic Analysis of Music Copyright

Income, Media and Performances

 Springer

# Contents

## Part I Economics of Music Copyright

|  |           |
|--|-----------|
| <b>1 Economics of Music Copyright: Income, Media, and Performances . . .</b> | <b>3</b>  |
| 1.1 Introduction . . . . .   | 3         |
| 1.2 Motivation for the Study . . . . .                                       | 4         |
| 1.3 Economic Model of Performance Rights<br>and Copyright Holders . . . . .  | 6         |
| 1.4 Economic Characteristics of Music Production . . . . .                   | 9         |
| 1.5 Brief Overview of Performing Rights Organizations . . . . .              | 14        |
| 1.6 Music Licensing . . . . .  | 15        |
| 1.6.1 Performance Rights Licensing . . . . .                                 | 18        |
| 1.6.2 Mechanical Rights Licensing . . . . .                                  | 18        |
| 1.6.3 Synchronization Licensing . . . . .                                    | 22        |
| References . . . . .   | 24        |
| <br>   |           |
| <b>2 Economic Analysis of Music Copyright: Music Users . . . . .</b>         | <b>25</b> |
| 2.1 Introduction . . . . .   | 25        |
| 2.2 Media Industry Advertising Revenue . . . . .                             | 25        |
| 2.3 Music Users: Radio, Broadcast, Cable Television, and Internet . . . . .  | 28        |
| 2.3.1 Radio . . . . .  | 28        |
| 2.3.2 Internet Radio . . . . .   | 36        |
| 2.3.3 HD Radio . . . . .   | 38        |
| 2.3.4 Satellite Radio . . . . .  | 39        |
| 2.3.5 Radio Royalty Payments Controversy . . . . .                           | 41        |
| 2.4 Broadcast, Cable, and Satellite Television . . . . .                     | 46        |
| 2.5 Internet Media . . . . .   | 48        |
| 2.6 General Licensing and Other Types of Music Users . . . . .               | 50        |
| 2.7 Performance Census and Sample Surveys . . . . .                          | 51        |
| 2.8 Performances and Airplay . . . . .                                       | 52        |
| 2.9 Selected Types of Performances and Airplay . . . . .                     | 54        |
| 2.10 Performances or Airplay Data Collection: Radio and Internet . . . . .   | 55        |
| 2.11 Performances or Airplay Data Collection: Television . . . . .           | 59        |

2.12 Computing Royalty Payments for Writers and Publishers . . . . . 61

2.13 Foreign Royalties Collection . . . . . 62

References . . . . . 64

**3 Economic Analysis of Music Copyright: Music Publishers . . . . . 65**

3.1 Introduction . . . . . 65

3.2 Structure of the Music Publishing Industry . . . . . 68

3.3 Sources of Income for the Music Publisher . . . . . 70

3.4 Restructuring and Bypassing the Record Label . . . . . 70

References . . . . . 79

**4 Economic Analysis of Music Copyright: Songwriters and Composers . . . . . 81**

4.1 Introduction . . . . . 81

4.2 Impact of the Internet on Songwriting . . . . . 82

4.3 Two Types of Songwriters and Composers . . . . . 84

4.3.1 Non-performing Songwriter . . . . . 84

4.3.2 Performing Songwriter . . . . . 85

4.4 Division of Labor Among Composers, Songwriters, and Lyricists . . . . . 86

4.5 Song Title Registration . . . . . 88

4.6 Music Genre . . . . . 90

References . . . . . 92

**Part II Econometric Analysis**

**5 Theory Review . . . . . 95**

5.1 Introduction . . . . . 95

5.2 Skew Distributions and Their Probability Density Functions . . . . . 96

5.2.1 The Skew-Normal Distribution . . . . . 96

5.2.2 The Skew-*t* Distribution . . . . . 98

5.2.3 The Log-Skew-Normal Distribution . . . . . 98

5.2.4 The Log-Skew-*t* Distribution . . . . . 99

5.2.5 The Multivariate Skew-Normal Distribution . . . . . 99

5.3 Model Specifications . . . . . 100

5.4 Interpretation of Dummy Variables in Semi-logarithmic Equations . . . . . 101

References . . . . . 102

**6 Estimation of Skewness, Heavy Tails, and Music Success in a Performance Rights Organization . . . . . 105**

6.1 Introduction . . . . . 105

6.2 Royalty Payments for Songwriters, Composers and, Publishers . . . . . 107

|          |  |     |
|----------|--|-----|
| 6.3      | Model Specification and Data Description   | 107 |
| 6.4      | Estimation Results   | 108 |
| 6.5      | Conclusion   | 117 |
|          | References   | 118 |
| <b>7</b> | <b>Economics of Songwriters' Performance Royalty Income: Tenure, Age, and Titles</b> | 121 |
| 7.1      | Introduction   | 121 |
| 7.2      | Profile of a Non-performing Songwriter   | 122 |
| 7.3      | Model Specification and Data Description   | 127 |
| 7.4      | Estimation Results   | 129 |
| 7.5      | Conclusion   | 132 |
|          | References   | 134 |
| <b>8</b> | <b>Economics of Radio Blanket License: Format, Region, and Market Size</b>           | 135 |
| 8.1      | Introduction   | 135 |
| 8.2      | Radio Blanket License  | 136 |
| 8.3      | Survey of Radio Performances   | 137 |
| 8.4      | Model Specification and Data Description   | 138 |
| 8.5      | Estimation Results   | 140 |
| 8.6      | Airplay Analysis   | 144 |
| 8.7      | Conclusion   | 147 |
|          | References   | 148 |
| <b>9</b> | <b>Concluding Remarks</b>  | 149 |
| 9.1      | Music Users: Radio, Television, and Internet   | 149 |
| 9.2      | Music Creators: Composers, Songwriters, and Music Publishers                         | 150 |
| 9.3      | Performance and Mechanical Royalty Income  | 153 |
| 9.4      | Bypassing the PRO: Impact of Direct or Source Licensing                              | 154 |
| 9.5      | New Business Models  | 155 |
| 9.6      | Legislation and Competing Agendas  | 155 |
| 9.7      | Econometric Models   | 156 |
|          | References   | 158 |
|          | <b>Appendix</b>  | 159 |
|          | <b>Author Index</b>  | 169 |
|          | <b>Subject Index</b>   | 171 |