

YouTube to launch music service amid indie dispute

June 18 2014, by Ryan Nakashima

YouTube will launch a new subscription music service, the company acknowledged Tuesday after being dragged into a public dispute over royalties that will result in the blockade of some independent artists' music videos.

The Google Inc.-owned video site said in a statement that it is "adding subscription-based features for [music](#) on YouTube" and that "hundreds of major label and independent artists" have signed on.

The paid service—to be launched within a few months—will likely allow playback of videos without ads and allow for offline playback on mobile devices. That's according to two people familiar with the matter.

The people weren't authorized to speak publicly and spoke on condition of anonymity.

The people also confirmed that a small number of independent artists who had not agreed to new deal terms will have their videos blocked in some countries starting in a few days, even on the free version of YouTube.

YouTube will block the [music videos](#) so users of the test version won't be confused about which content they can access for free and which features require payment, the people said. Allowing free streams of music by certain artists while not offering them on the paid service would erode the value of the paid plan, one person said.

The move also adds pressure on those labels to sign, because not being on YouTube altogether will result in less advertising revenue and exposure.

YouTube has reached deals with all three major music labels—Universal Music Group, Sony Music Entertainment, and Warner Music Group—and many independent labels as a whole representing about 95 percent of all labels, the people said.

Determining which artists are blocked —and where— could be confusing because some indie artists have their music distributed in certain countries by the major labels. Singer Adele, for instance, is signed with Beggars Group's XL Recordings in the U.K., but Sony Music's Columbia label distributes her music in the U.S.

Rich Bengloff, president of the American Association of Independent Music, an industry group representing independent labels, said he disagrees with the characterization that only a few labels haven't signed. He argued that independent artists are being treated unfairly simply because they lack market power.

"I'm not very happy, obviously," he said. "We're asking to be treated equitably and fairly."

One person familiar with the terms said that independent labels are being offered the same per-stream royalty payment as the major labels, but are not offered the same guarantees or advances for the first year.

Alison Wenham, CEO of the Worldwide Independent Network, another trade group representing indie labels, said in a statement that YouTube's decision to blockade some labels was a "grave error of commercial judgment." She said services like Spotify and Deezer have done a better job representing independent music on their platforms.

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