Musicians blast bill to trim Pandora royalties

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The bill aims to equalize the royalty structure between Internet, cable and satellite radio. Pandora currently pays a higher percentage of its

revenues in royalties than Sirius XM, which broadcasts via satellite.

But artists are balking at the measure because it would result in lower royalties.

"We are big fans of Pandora," reads a letter to be published in this weekend's edition of Billboard Magazine signed by Maroon 5, Rihanna, Katy Perry and other stars.

"Why is the company asking Congress once again to step in and gut the royalties that thousands of musicians rely upon? That's not fair and that's not how partners work together."

Pandora, which allows users to tune in based on style preferences and suggests similar tunes, is pressing its listeners to lobby lawmakers to advance the bill, called the Internet Radio Fairness Act.

Royalty rates for Internet radio are set by a panel of copyright judges who determine the "marketplace" rate.

The result is that while satellite radio pays eight percent and cable-delivered music 15 percent, Pandora normally pays some 50 percent of its revenues in royalties.

Pandora and its supporters say the change is needed to enable Internet radio to thrive.

They argue that a fairer pay structure will ultimately benefit artists by encouraging more investment. Otherwise, they say, the future of Internet radio is threatened.

But artists say any change should boost royalties on Pandora's competitors.

Analysts say the proposed legislation would adapt to Pandora's preference of continuing to provide music to users without subjecting users to heavy advertising.

Pandora garners revenues from subscriptions and some advertising, limiting the advertising to protect the user experience.

Pandora shares closed Friday at $7.18, down 2.5%. Pandora shares have shed nearly 37% of their value in the last two months.

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