

TESTIMONY OF IRVING AZOFF
Chief Executive Officer
Ticketmaster Entertainment, Inc.
Before the Subcommittee on Courts and Competition Policy
of the
House Committee on the Judiciary
February 26, 2009

Dear Chairman Johnson, Congressman Coble, and Members of the Subcommittee:

First, I'd like to thank you for this opportunity to speak about the Ticketmaster/Live Nation merger. Both companies are excited about our plans for Live Nation Entertainment. We believe the combination of our two companies will benefit artists, fans, theatergoers, sports teams, museums and all of the other facilities, performers and spectators who use our services.

As a kid growing up in Danville, Illinois, my future path was set when I saw The Beatles in old Comiskey Park in Chicago. I was bitten by the music bug, but I soon realized I'm no musician. I was rejected by the school choir, and the only bad grades I got in school were when I tried to master the saxophone and drums in music class. My instrument of choice is the telephone.

I've spent 43 years in the music business, but through it all, I've focused on one thing — serving artists. I put myself through college at the University of Illinois booking bar bands, instead of waiting tables. Together with my late friend, the gifted singer-songwriter Dan Fogelberg, and the rock band REO Speedwagon, we quit school and headed west to pursue our American dream.

I launched Front Line Management about 35 years ago. When I started managing the Eagles, they were playing venues not much larger than this room. I am proud to say they are still my clients.

I've had many roles in the business. I've been an agent, a personal manager, a concert promoter, a movie producer, an independent record label owner, a merchandiser, a music

publisher, a record company CEO and, at times, a babysitter and a bail bondsman. I'm a founding member of the Recording Artists' Coalition and staunch supporter of artists' rights.

In 2005, I returned to my first love — the management of artists, at Front Line Management. While I'm honored to be here, if I wasn't doing this right now, I'd be in the Rayburn Building with the musicFIRST coalition and all the artists who are seeking congressional support for the performance rights bill.

I came to Ticketmaster four months ago when it acquired a majority interest in Front Line Management and became CEO of Ticketmaster Entertainment. While I have spent my career serving artists, Ticketmaster has dedicated itself for 30 years to reaching fans of live entertainment. My job now is to use the resources of both companies to enhance the artist-to-fan experience.

I believe that the best interests of the artists, and indeed any performer — whether in music, sports, theater, or other events — will serve the best interests of the fans. It is truly a magical connection.

At Ticketmaster, we are always mindful that we have a central role in the fan or visitor experience. We are committed to getting it right, and making that experience as fast and efficient as possible.

This hearing is focused on the music industry, but our services go well beyond live music events.

We handle ticketing for museums, historic sites, community theaters and civic events. We serve the NFL, the NBA, NHL and college sports teams, as well as the Guggenheim Museum and the Ringling Brothers Circus. We also do a significant amount of work for

charitable events and nonprofits. We open our phone banks for relief efforts during hurricanes and other natural disasters.

We constantly strive to improve our online technology, but we continue to serve fans who do not have Internet access or credit cards. That is why Ticketmaster outlets still are often crowded on weekend mornings when tickets go on sale for bands that attract a teenage audience.

Our phone operations continue to be an important information source for fans. Only about one out of every five phone calls to Ticketmaster results in a financial transaction. Rather than make a sale, Ticketmaster operators are asked about any number of questions — about the opening act, directions to venues and showtimes — even weather conditions. No other ticketing company supplies that level of service.

But these extra service operations and the jobs of the people who perform them could be in jeopardy without this merger. We have roughly 6,700 employees, including those in about 50 offices across this country, who have worked extremely hard to bring us the success that we have seen as a company. All of them have a stake in this merger.

As hard as we try to serve clients and ticket buyers, technology is not perfect. For example, I fully understand the frustration and anger created by the problems we experienced in recent sales for three Bruce Springsteen shows in New York and New Jersey.

A computer malfunction temporarily affected sales on our main Ticketmaster Web site for these three shows, and many fans were then frustrated by the very rapid sell-out of the shows combined with being given the opportunity to purchase tickets on our resale marketplace, TicketsNow.com.

I have personally apologized to Mr. Springsteen and his fans about what happened a couple weeks ago. I was angered and embarrassed by the incident. As the still-new CEO of Ticketmaster, I have pledged and I reiterate now that something like this should never happen again and I am working hard to see that it doesn't. As you know, we have also offered to refund the difference between the face value price and price paid to TicketsNow to fans who believed in error that they were buying from the initial on-sale when they purchased their tickets. Going forward, we are also going to work to see that the very best seats go on sale directly to the fans.

In the broader picture, we are focused on structural changes that will help us better serve artists, fans, teams, museums and all of our other clients. This merger will let us fully integrate our complementary strengths and eliminate about \$40 million in inefficiencies — money that could be invested in more innovation. It is designed to address the obvious inefficiencies in the entertainment supply chain — the large volume of unsold tickets to events, higher costs, surcharges and the explosion of the resale market.

It will give us greater flexibility in how we promote, market and sell tickets to events. It will give us a pathway to alternative pricing and fee structures. And we will be better able to develop new and innovative products and services that enhance the fan experience and make all forms of entertainment more accessible to everyone.

Here's one thing that will not happen as a result of this merger: The fierce competition we face in our businesses will continue to thrive.

We have already seen content providers in other areas make this move to bridge the gap and gain a more direct link to the fan experience. Major League Baseball purchased Tickets.com in 2005. Comcast-Spectacor started down the path of integration more than 10 years ago and now runs venues, owns sports teams, owns and operates a competing ticketing service company,

as well as other related businesses. NASCAR now sells its event tickets through its own in-house ticketing system, which it built using advanced, web-based technology.

The list goes on, but the trends are clear. The entire entertainment industry is looking for ways to integrate ticketing and other related businesses with the rest of their supply chain.

And technology is making it easier for competitors to enter our business. In just eight years, the number of tickets that Ticketmaster sells online has increased dramatically. The wave of competition we are seeing in the ticketing services business is almost entirely in the form of web-based ticketing technology.

Competitors are constantly joining the field, and we are continuing to explore additional and better ways to serve our clients and the fan. We face competition at every point on the value chain. That competition will continue after the merger.

I'm glad you are having this hearing on the future of the music industry. I've spent most of my life in this business. My son, daughter and son-in-law work in this business. It is our family passion. I want it to thrive for generations to come. We all need it to survive.

I found an interesting quote the other day that applies to the situation we face:

"I pity the man who wants a coat so cheap that the man or woman who produces the cloth will starve in the process."

The statement came from President Benjamin Harrison, who signed the Sherman Act, the country's first antitrust law to prevent illegal business combinations and restraints of trade.

The message I want to leave you with today is that the music business is in far worse shape than most people realize. The economic foundation that supported artists in the past is crumbling. Piracy is threatening their livelihood. If you steal a loaf of bread, you get prosecuted. If you steal an artist's creativity, it's okay.

Secondary ticketing is driving up prices for the fans, with absolutely no benefit to the artist. We cannot just cling to old ways. This merger will allow the live music industry to avoid repeating the mistakes of the record business.

There is nothing more electrifying in the entertainment industry than watching a gifted artist perform in a sold-out house.

That's the magic that drew me to this business. That's why I still go to work every day. But the live performance is only part of the story. If we can't figure out how to support artists and ensure that they reap the financial rewards for the creativity, the stage will go dark for many who could have had a career in music.

Thank you.

IRVING AZOFF

CEO, Ticketmaster Entertainment

Irving Azoff is a name that has become synonymous with the entertainment industry. From his earliest days promoting and booking bands during his University of Illinois college years to his success as an agent, personal manager, concert promoter, movie producer, independent record label owner, merchandiser, music publisher, and record company CEO, he has always put his unique stamp on his accomplishments.

Azoff holds the titles of Chief Executive Officer of Ticketmaster, the world's leading live entertainment ticketing and marketing company, and Chairman and CEO of the Front Line Management Group, the world's largest music management firm.

In addition to his day-to-day responsibilities at Ticketmaster, he is the personal manager of the Eagles, who he has managed since 1974, Christina Aguilera, Neil Diamond, Van Halen, and Steely Dan. Front Line Management owns interests in, or wholly owns, thirteen other management companies.

Azoff established his reputation in the music industry when he created Front Line Management in 1974. Under Azoff's tutelage, the personal management firm became the industry's most successful, guiding the careers of such artists as the Eagles and Jimmy Buffett. During the Front Line years, he also founded Full Moon Records, which served as home to the soundtracks for Azoff-produced motion pictures including *Urban Cowboy* and *Fast Times At Ridgemont High* and to such artists as Chicago and Dan Fogelberg.

In 1983, Azoff was named chairman and CEO of the MCA Music Entertainment Group. In just six years, his leadership revitalized the slumping company into an industry powerhouse, setting sales and earning records, while diversifying the division into concert promotion, amphitheater operations, and merchandising.

Azoff founded the Azoff Entertainment Company in 1990, a joint venture with Time Warner. In 2001, Time Warner acquired Azoff's interest in the Azoff Entertainment Company.

Azoff is recognized for his considerable work on behalf of charitable causes. Through his unique position in the entertainment world, he brings together the music, film and television communities, helping to raise funding for a variety of organizations. Azoff serves as an advisory board member of The Walden Woods Project. He has been honored by both the T.J. Martell Foundation and by the City of Hope -- receiving their prestigious "Humanitarian Of The Year" Award and "Spirit Of Life" Award, respectively.

Irving Azoff was named the *Advertising Age* 2008 "Marketer of the Year," and the 2008 recipient of *Pollstar* magazine's "Personal Manager of the Year Award," his second consecutive win of that award.

Irving Azoff and his wife, Shelli, reside in Beverly Hills, California, and have four children.