

**TESTIMONY OF MICHAEL RAPINO**  
**President & Chief Executive Officer**  
**Live Nation**  
**Before the Subcommittee on Courts and Competition Policy**  
**of the**  
**House Committee on the Judiciary**  
**February 26, 2009**

Dear Chairman Johnson and Members of the Subcommittee:

Thank you for the opportunity to speak with you today. I'm glad to have a chance to explain the rationale behind the merger of Live Nation and Ticketmaster, and the creation of Live Nation Entertainment.

I got into this business because I love music and I love working with artists. Growing up in a small town, I had to take a six-hour bus trip to Minneapolis to see a concert. I vividly remember one of my first trips, to a Prince concert. I stood in line in the freezing cold to get a ticket, but after that show, I was hooked. I knew then I wanted to work in the music industry.

I got my start as a beer company promoter when I was still in college. My job, which paid \$200 a month, involved staging and promoting concerts, mostly with local bar bands. After learning the ropes, I formed my own concert company, which I eventually sold to SFX Entertainment/Clear Channel.

I worked my way up to president of the concert division. Along the way, it became clear to me that we had to change the way we did business. Clear Channel Entertainment was focused on one task — staging concerts. It was a struggling business with one of the worst reputations in the live music industry. I wanted to shed that image and create an artist-driven company that offered a direct, full-service pipeline connecting artists and fans.

That was the vision behind Live Nation when I spun it off from Clear Channel in 2005. That is the vision I'm here to discuss today. We've made significant progress. We've reported steady growth quarter after quarter, even during the current financial downturn. We have about 17,500 employees, spread out in offices in every major U.S. city. We are a decentralized

business that offers live music through a collection of local concert entrepreneurs. We have 113 employees here in the Washington area.

The concerts we bring to city and towns across the country help sustain countless jobs, from the stagehands at the venue to the workers at nearby hotels. An economic impact study of a two-day Grateful Dead reunion show produced by Live Nation at the Alpine Valley Music Theater in East Troy, Wisconsin, a few years ago found that the multiplier effect from that single weekend event generated \$4.5 million for the local economy.

Our biggest stars — artists like Madonna, Bono, the Jonas Brothers — get most of the attention, but Live Nation probably does more than anyone else today to promote talented, emerging artists. We put on about 8,000 club shows every year. And by the way, those venues include Live Nation clubs as well as independently owned clubs. We will continue to work with independent venues — large and small — after the merger.

We also recognize that we have a responsibility to give back to society. We are strengthening our ties to the communities where our employees live and work through our Green Nation program. We are working to establish community service initiatives in each of our approximately 50 offices across the country. At the corporate level, we support benefit concerts by offering our services for free or at a greatly reduced cost.

We've grown this company the old-fashioned American way, by sticking to the basics. Our employees are hard working and committed. As CEO, I am acutely aware of my responsibilities to them and to our shareholders. We haven't over-leveraged or loaded up on debt. We haven't doled out outrageous bonuses. We've focused on our core business. We've

managed our balanced sheet very carefully. We've delivered what we've promised — three years in a row.

We've grown the right way, but the current economic environment has still taken its toll. Our stock has declined by nearly two-thirds. Our real estate holdings have been gutted. Our hard work is not producing the rewards it should. We face the very real possibility that if we don't find a solution, we could ultimately be bought by a foreign-owned entertainment conglomerate like the majority of the major record labels.

I have two choices — I can hope the economy gets better, or I can seek a more proactive approach to protect our employees, reward our shareholders and grow our company. That is the motivation behind this merger.

Unlike so many other businesses, we are not here today to seek a bailout or a tax credit or any other favor. Instead we've come with our own self-funded renewal plan. All we ask is the freedom to innovate in an American industry that is in deep trouble.

The music industry model that existed when I entered the business is irreparably broken. In the old model, the record label supported the artist. Record sales were the hub, and everything else — concerts, promotion and merchandizing — flowed from that. American companies and American creativity set the global standard. Tower Records, MTV and local radio stations were the industry's storefront.

That model is as obsolete as the eight-track tape. Tower Records went bankrupt, MTV doesn't play music videos, and most radio stations are in a downward spiral.

Album sales — which used to be the foundation for the business — have fallen almost by half since 2000. Artists are subjected to rampant piracy that steals their creativity and their livelihood. 95 percent of all the songs that are downloaded are downloaded illegally.

In the concert business, 40 percent of concert seats go unsold. Others sell for far more than they should because of scalpers. I stood in line in the cold for my first concert because I knew that if I was the two hundred and third person in line, I would get the two hundred and third best seat. It doesn't work that way anymore.

Computer-driven bulk purchases suck tickets out of the primary market and deny fans a chance to see their favorite performers at a reasonable price. That benefits scalpers, but it doesn't help stakeholders in the value chain. Fans pay more, but the performers, the promoters and the venues don't get a dime. And fans who never get a chance to buy a ticket at a face value are rightfully angry about it.

As for the record companies, most of those once-dominant American labels are now owned by companies based in Europe and Asia.

The music industry is undergoing profound change, and the economic downturn compounds our difficulties. Our business is bleeding — and the real victim is the artist. The artist makes music, and others steal it and exploit it.

So what are we to do? Who will develop an economically viable model way to connect artists and fans? Who will create a support structure for artists? Who will figure out how to fill empty concert seats? Who will develop a system to thwart scalpers? Who will end music piracy? Can anyone do it, or will we still be talking about piracy, scalping and the decline of the music industry 10 years from now?

I'm not claiming we have all the answers. We can't solve it all, but we can be on the leading edge of change in our industry. While others have shied away from or actively fought technology, we have embraced it. Now we want to harness its power for artists and fans.

Collective problems require collective solutions. Clinging to old ways and fighting change is not the answer. We need to build a team of rivals. Together with artists, local promoters and venues, and my future partner Irving, we want to offer some solutions.

We have an opportunity to create a truly modern business by putting these companies together — something that we can't do alone, and certainly not quickly. Far from harming consumers, or promoters or artists, this deal will benefit them and spur competition and innovation, which we welcome.

Everyone in the music industry has a responsibility to seek better ways to serve artists and fans. We want to create a new kind of company that will give artists a trusted business partner so they can have control over their work, and freedom to unleash their creativity. We want to build a holistic support structure that consolidates the fragmented pieces of the business — marketing, promotion, concerts and ticketing — to create a full-service connection between artists and fans.

Doing so will help plug the holes in the current system and eliminate the inefficiencies. It will not eliminate competition. Our business model rises or falls on our ability to serve the artists. If others can do it better, the artists will go elsewhere.

Every service we offer today faces aggressive competition, and that competition will continue — and undoubtedly increase — long after this merger is complete.

Our goal is to build something better. So what would it look like?

This merger can help bring about the reconfiguration we urgently need. We will develop an easy-access, one-stop platform that can deliver music, videos, merchandise, tickets — as well as information about artists and upcoming shows. Artists would be able to communicate directly with fans, and have the flexibility to experiment with new approaches to deliver music.

A system that empowers artists benefits *everyone* because that's where the value chain starts.

Here are some of the things we have in mind:

We will make it easier for artists to deliver information about upcoming events and activities.

We will make it easier for artists to draw fans with innovations like paperless ticketing, all-inclusive ticket prices, bundled live performance options and interactive seating.

We will fervently protect the integrity of the primary ticket market from those who seek to exploit it using computer-automated ticket purchasing programs.

Many of our innovations would also benefit others in the music industry.

We envision a world in which a fan doesn't have to go to Ticketmaster or any other single source or portal to purchase tickets. Instead, they can buy them anywhere the artist wants to make them available — a proprietary fan site, a social networking site, a TV show tie-in site, a grocery store, wherever.

If we are successful, the scalpers and pirates will suffer and our competitors will look more like Amazon, eBay and Orbitz than a retail record store.

We welcome your interest in this issue and the Department of Justice review of this deal. We are confident that any potential issues can be addressed. The interests that feed off inefficiencies in the current system don't like this merger. It is not surprising that some of the strongest opposition comes from scalpers.

I'm confident this plan will work, but it is an experiment. It is a new approach for an ailing American industry. All we want is a chance to try it.

And I know this: If we don't make significant changes to the business model and if we don't build new structures, we may be back in the future for another congressional hearing on the death of the American music industry.

Thank you for this opportunity. I look forward to your questions.

## **MICHAEL RAPINO**

President and Chief Executive Officer, Live Nation

Michael Rapino's long-held love of music has taken him from a head-banging high school student to President and CEO of Live Nation, the world's largest concert promoter. Today, he can still be found just as easily at a concert as in an office.

Rapino began his career in the music business as a college student at Lakehead University in his native Canada, working in a \$200-a-month job for Labatt Brewing Company to promote their products at live music shows. His work with little-known bar bands gave him his start in the music promotion business. After graduating with a business degree, he stayed on at Labatt's for ten years and held various progressive marketing and entertainment roles. He became the company's Director of Entertainment and Sports and worked closely with Labatt's-owned Toronto Blue Jays and CPI, the largest concert promoter in Canada. He subsequently became head of Labatt Marketing brands.

In 1998, Rapino left Labatt's and co-founded Core Audience Entertainment, a concert promotion and entertainment marketing company. Core Audience Entertainment quickly became Canada's second-largest promoter and was acquired by Clear Channel Entertainment (then SFX) in 1999, creating SFX Canada.

Rapino joined Clear Channel Music Group, where he started out overseeing concert-sponsorship efforts in Europe and quickly worked his way up to the position of CEO and President of Global Music for Clear Channel Music Group. He also led Clear Channel Entertainment's London-based International Music division.

When Clear Channel's concert arm spun off and was renamed Live Nation, Rapino took over as President and CEO of the new company. Since taking the reins at Live Nation, Rapino has grown the business and improved its profit margin. His pioneering ideas have expanded the company into a direct artist-to-fan platform, providing a unique and customer-responsive concert-going experience and a comprehensive array of services for artists and fans.

Under Rapino's leadership, Live Nation's attention to the needs of artists has helped it secure relationships with some of the most prominent names in the music industry, including Madonna, U2, Jay-Z, Shakira, and Nickelback. The "360 deals" he developed allow Live Nation to provide artists with the benefit of a company that can handle everything for them from recording music to concert tours to merchandising for music acts.

Rapino has also encouraged Live Nation's role as a strong supporter of emerging artists – it is currently the largest artist development company and organizes 8,000 small concerts per year, giving emerging artists a chance to build an audience.

Rapino's strong roots in the entertainment business, combined with innovative new business approaches, have helped successfully transform Live Nation and bring new advances to the music industry.