

TESTIMONY OF IRVING AZOFF

**Executive Chairman and Chairman of the Board
Live Nation Entertainment, Inc.
Chairman and Chief Executive Officer, Front Line Management Group**

**Before the Subcommittee on Antitrust, Competition Policy and Consumer
Rights
Senate Judiciary Committee**

June 21, 2012

I grew up in Danville, Illinois, a mid American town with all American ideals, and briefly attended the University of Illinois. For more than 43 years in the music business, I've focused on one thing — serving artists. The music industry I joined was a vibrant, emerging and entrepreneurial business whose format of choice was vinyl. Throughout all the changes -- vinyl, four- and eight-track, cassette and compact disc -- one thing remained constant: the power of the record label. The emergence of the internet has changed that.

I work with acts big and small, some that are household names and some who should be but just haven't yet gotten there yet. Let me be very clear -- none of them have to sign to a major label anymore. Majors cannot sign every act, and the door is open for many others to do so.

In fact, independent labels are capturing more and more market share every year – it's grown from 23% up to 30% in the last decade. Bon Iver of Jagjaguwar won the Grammy for best new artist this year. Esperanza Spaulding

of Concord won it last year. And Mr. Mills' XL brought us the biggest selling artist of 2011, Adele.

Approximately 40% of Front Line artists aren't even on labels. I have no doubt that labels add value, but you just don't have to have one in a world where artists can deliver an album direct to fans themselves. It's a little like hiring an interior decorator to re-do your house. The experience and results can be great but some acts enjoy and prefer to do it on their own and put their own imprint on things. And with services like iTunes, CD Baby, Top Spin, Reverb Nation, Pro Tools, Facebook, Spotify – you name it – artists can do everything themselves very professionally.

It used to be that bands couldn't make a professional album without the backing of a label. Labels used to be THE gatekeepers to fans. But today, those barriers have been blown away. The new gatekeepers are the fans. Facebook and other social media make fans the essential promotional power. If a fan "likes" a song, and tells a friend or two or ten thousand, a band is on their way. The power today rests with consumers – not record labels. So while the Internet has brought challenges for many, it has also given bands opportunities, access, and control previously unknown to any generation of artists.

The reason a combined EMI-UMG is a good thing rests in the much bigger picture. Our industry has been turned on its head in the last decade. With all the

great developments the internet has brought us, the economics are still daunting. Most musicians make a living today from touring – not record sales as they once did. And it makes sense, since consumers aren't buying \$15 CDs any more, they're paying for a single track download from Amazon or iTunes or listening to ad-supported services that result in mere fractions of a penny-per-play being paid to the artist – or worse, still, they just go to a torrent site and get it for free. Late to embrace the Internet, labels are playing catch-up – but any way you slice it, recorded music sales are still the core of a label's business model.

Those who speculate about the demise of competition simply don't live in the hyper competitive music world that I see every day. Competition is fierce between the major labels, and fierce between the majors and the indies. Competition is fierce in distribution as new online and mobile services vie against one another and against Apple.

As for the broo-ha-ha around this deal, Mr. Bronfman has been talking about combining Warner and EMI for the better part of a decade. The entire industry expected it to happen, Wall Street expected it to happen, journalists expected it to happen. Warner had a chance to outbid Universal in this process – but chose to walk away. Now, they regret their decision, and are spending millions to fight the deal. Well, I don't think the government should step in to give them another bite at the apple – that is not how our free market economy works.

The fact is, it would have been great if EMI could have made a go of it on its own. But the recession, piracy, and the facts surrounding Terra Firma and Citi combined to make that a pipe dream. The aura of uncertainty made EMI a risky place for an artist to sign. This business is about relationships, and confidence that the team you sign with will be right beside you throughout the entire journey. Uncertainty made it hard for EMI to sign new acts, and even harder to keep proven winners. With Universal taking over, and their commitment to resurrecting Capitol Records, there will actually be another record company for artists to explore, if they want to. As I see it, it is not one less company – it is one more choice.

Bottom line: The people concerned that a combined EMI-UMG would have too much “power” really just don’t get what has happened to this business over the last decade. Labels don’t control artists. Those days are gone. And no label in the world can control the supremacy of the modern music fan. The power shift has already taken place – and no one should worry for a minute that it rests with the labels any longer.