

## ANNALS OF ENTERTAINMENT

## THE PRICE OF THE TICKET

*What does it take to get to see your favorite band?*

BY JOHN SEABROOK

The rock-concert business began on the evening of November 6, 1965, outside a loft building on Howard Street in San Francisco. Bill Graham, a thirty-four-year-old frustrated actor from the Bronx, had organized an “appeal” for the Mime Troupe, a radical theatre group he managed, whose leader, Ronnie Davis, had recently been busted for public ob-

dium a few months earlier. But that was show business as usual, staged for teenyboppers, who screamed so loudly that the musicians couldn’t hear themselves play. The kids who lined up on Howard Street were there for the *experience*. Drugs helped, but, as history would show, it wasn’t only drugs that made a great rock show a transformative event.

acts, in thirty-three countries around the world. Last year, Ticketmaster Entertainment, the world’s largest ticket seller, sold more than a hundred and forty-one million tickets, valued at more than \$8.9 billion. With the collapse of the record business, as a result of piracy (album sales are almost half what they were in 2000, and, according to some surveys, ninety-five per cent of all downloaded music is stolen), the business of selling live music has become the main source of revenue for the popular-music industry. That means the work of developing acts, spreading the word, and supporting tours—all of which used to be done by record labels and radio (back in the days when the big rock stations played new music)—now has to be done by Live



*Bruce Springsteen, in underpricing tickets to his shows, inadvertently helped to create an orgy of speculation and scalping.*

scenity. Graham was more hustler than hippie, but he understood the kids, and he had arranged for several local rock bands, including Jefferson Airplane and the Fugs, to perform at the benefit. Arriving on a motor scooter with Robert Scheer, the managing editor of the magazine *Ramparts*, Graham saw a long line stretching down Howard Street—“Huge hordes of people,” as he recalled in his autobiography, “Bill Graham Presents,” written with Robert Greenfield. Turning to Scheer, he said, “*This is the business of the future.*”

There had, of course, been rock-and-roll concerts before the Mime Troupe appeal; the Beatles had filled Shea Sta-

It was the music, the artist, and the community of fans—instant cousinship, as Graham called it—together with the sudden blaze of lights, the press of sweaty flesh, and a thousand fists punching the air as the chorus rolled around. Inside the loft, Graham recalled, “I saw people come in and instantly start dancing with other people and only then did I realize that they didn’t know each other. They just started dancing. I’d never seen that before.”

This year, Live Nation, the world’s largest concert promoter, will attempt to re-create the spirit of that Howard Street happening at some twenty-two hundred concerts, performed by sixteen hundred

Nation and Ticketmaster, whether they want to do it or not.

Almost everyone agrees that the business of live music—the live experience, as Live Nation calls its product—is dysfunctional. Both Live Nation and Ticketmaster are loathed by fans, and their stock prices are depressed. Concertgoers complain about the “convenience charges” as well as parking and facility fees that Ticketmaster tacks on, which can account for more than thirty per cent of the cost of a ticket. Promoters worry that, as the top-grossing touring acts—the Rolling Stones, the Eagles, Paul McCartney, Bruce Springsteen, U2, Madonna—get older, very few

TOWER HANUKA

younger acts are popular enough to fill stadiums and arenas on the two-year-long tours that superstar rock bands undertake. (Forty per cent of the seats at all Live Nation concerts go unsold.) Most galling to the four stakeholders involved in putting on a concert—the artist, the promoter, the venue operator, and the ticket seller—is the loss of billions of dollars in revenue to the “secondary market”: the Internet-driven business of ticket reselling, in which ticket brokers and scalpers profit, while the people who take the artistic and financial risks hardly participate at all.

Bill Graham did not live to see “the future” become the live experience; he died in a helicopter crash after a Huey Lewis and the News concert in Concord, California, in 1991. But if you go back to that night on Howard Street and try to understand what Graham saw, it seems obvious that the success of rock shows will always be measured not in box-office revenues and beer sales but in the quality of the party. Records are commodities; concerts are social events, and in trying to make a commodity out of the live experience you risk spoiling the experience altogether.

Two recent concerts—the shows that Bruce Springsteen and the E Street Band performed at the Izod Center, in the New Jersey Meadowlands, on May 21st and May 23rd—have come to serve as a referendum on what’s wrong with the live-music business. The shows marked the end of the first leg of Springsteen’s “Working on a Dream” tour, which was announced in late January, after the release of his new album. In the flush days of the record business, bands toured to support the album; these days, the album is a teaser for the tour. (The Boss’s new album, which has a list price of \$18.98, has sold about five hundred and fifty thousand copies in the United States; last year’s Springsteen tour grossed \$204.5 million.) Ticketmaster handled the majority of the dates on the first U.S.-based leg of the tour, and tickets for most of the twenty-six shows went on sale on Monday, February 2nd—a day after Springsteen’s half-time performance at the Super Bowl.

The Izod Center is a two-tiered arena with roughly twenty thousand seats, which is owned by the New Jersey Sports

and Exposition Authority, a public agency that was also the promoter for these two shows. (Live Nation promoted dates in other cities.) Some forty million people live within two and a half hours of the Izod Center, many of them Springsteen fans. The Boss could probably have sold out ten shows at the venue; because he had decided to do only two, desire for the tickets was guaranteed to be intense. With tickets in such short supply, market logic dictated high ticket prices. But Springsteen and his longtime manager, Jon Landau, had fixed prices at ninety-five dollars for lower-tier and general-admission standing-room floor tickets, and sixty-five dollars for upper-tier tickets. Given what Springsteen could have asked (the Stones charged four hundred and fifty dollars for the best seats on their most recent U.S. tour), these tickets were a remarkable bargain—proof, if anyone needed it, of Springsteen’s solidarity with his working-class fans.

The phenomenon of below-market-value tickets has inspired a cottage industry of economists seeking to explain seemingly illogical pricing in the rock-concert business. Alan Krueger, a Princeton economist who, in May, was confirmed as the Treasury Department’s assistant secretary for economic policy, is one. “There is still an element of rock concerts that is more like a party than a commodities market,” Krueger told me. A ticket to a rock show, he said, bears elements of a “gift exchange,” in which intangible benefits accrue to the seller. Cheap tickets increase the possibility of a sellout, which augments merchandise and concession sales. Sellouts make the concert experience better for musicians and audience alike. And, one might add, a cheap ticket is the price the music industry pays to preserve the illusion that the sixties never ended. “In some fashion, I help people hold on to their own humanity—if I’m doing my job right,” Springsteen once said, of his performances. At least, he helps people hold on to their savings.

In a 2006 paper titled “Rockonomics: The Economics of Popular Music,” written with Marie Connolly, Krueger reports on data that he and twelve Princeton students collected at a Springsteen concert in Philadelphia, on October 6, 2002. Every ticket cost seventy-five dollars, and the box-office amounted

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to around \$1.5 million. Krueger and his researchers found that a quarter of the fans they interviewed before the show had bought their tickets on the secondary market, where they had paid an average of two hundred and eighty dollars. Had Springsteen charged the market price for all tickets, he would have collected about four million dollars in additional revenue, a figure Krueger calls “astounding.” Studying concert-ticket sales, Krueger also told me, is not all that different from analyzing mortgage-backed securities, which were at the heart of the financial crisis. Both are bought and then resold on a secondary market, and “both markets are also subject to price bubbles, lack of trust, inadequate regulation, and imperfect information.”

By drastically underpricing the Izod Center tickets, Springsteen was inadvertently helping to create the circumstances for an orgy of speculation and scalping on the secondary market. The desire for a hot ticket is not an economic calculation; it’s a craving. Thanks to the Internet, satisfaction is only a couple of mouse clicks away.

**T**icket scalping is probably as old as tickets. (Ticket scholarship is a neglected field, but, in the English-speaking world, tickets are thought to have been invented in the Elizabethan era.) According to Kerry Segrave’s “Ticket Scalping: An American History, 1850-2005,” the term derives from the early days of railroads, when “scalpers” would sell partly used tickets at a discount. By the late nineteenth century, New Yorkers were applying the word to the crowds of “sidewalk men,” who sold tickets for inflated prices outside Broadway theatres, and who were a source of public outrage. “The greatest evil that theatergoers in this city have to contend with is the ticket speculator,” a local magistrate named Crane said in 1901. “They are practically highwaymen and hold up everybody that goes to a place of amusement.”

For more than a century, public officials have repeatedly introduced anti-scalping legislation; many such laws have been struck down as unconstitutional, on the reasonable ground that a ticket

scalper is no different from an art dealer or a real-estate speculator. Sidewalk men were sometimes arrested on charges of disorderly conduct; eventually laws were put in place that prohibited scalping within a certain distance of a venue. But, as anyone who has been to a big game or a show at Madison Square Garden knows, such laws are rarely enforced.

Licensed ticket brokers are usually distinguished from scalpers, although they sometimes employ scalpers to unload their excess inventory on the street. But the Internet has blurred the distinction between pros and amateurs by making it possible for people like Amy Stephens, a thirty-three-year-old mother of three from Atlanta, to enter the profession.

In the summer of 2001, Stephens and her husband came to New York with a pair of hundred-dollar tickets to see “The Producers.” Unable to use them, they put them on eBay, where they promptly sold at a four-hundred-dollar markup. Stephens bought more “Producers” tickets at the box office, and they sold for a profit, too. Back in Atlanta, she bought a twenty-game pack of Anaheim Angels tickets, which guaranteed the holder seats for playoff games, and when the Angels went to the World Series, Stephens sold those tickets for fifteen hundred dollars each. By 2005, Amy’s Tickets was grossing a million dollars a year. “I would never in a thousand years stand on the street and sell tickets,” Stephens told me. “But this was so easy.”

The Internet has made scalping as common as day trading. I heard of one college student who earned a hundred thousand dollars a year by scalping tickets on StubHub, the largest of the ticket-reselling sites, and TicketsNow, the second largest; both sites are online marketplaces that charge buyers and sellers a commission in return for guaranteeing transactions. We have become a republic of scalpers—even America’s team, the New York Yankees, has joined in. The Yankees used to confiscate season tickets from fans who’d scalped them, but now there’s a StubHub window at the new Stadium.

The rock-concert industry has not, by and large, been able to take advantage

of this new market, because in some states ticket vendors are legally bound to sell tickets for their face value, and because some of the twenty or so superstar touring acts that generate the majority of the income don’t want to charge market prices. In 2008, Ticketmaster expanded its reach within the secondary market by purchasing TicketsNow, but in doing so the company set itself up for a potential conflict of interest. There appeared to be a strong incentive for Ticketmaster to get tickets into the hands of brokers who operate on TicketsNow, and to reap hefty commissions.

**O**n February 2nd, at a few minutes before 9 A.M., Maria Shwalb, a benefits manager for a large pharmaceutical company, was at her computer, waiting for the Izod Center shows to go on sale. Born and raised in northern New Jersey, the heartland of Springsteen Nation, Shwalb has seen close to fifty of Springsteen’s shows, going back almost thirty years. But she had never been really close up, and that was her dream—just once, to be right in front of the stage.

Not too long ago, Shwalb would have taken the day off and stood in line at the box office or at a nearby Ticketmaster outlet. More than once, she’d waited in line all night; even when she was pregnant with her second child she’d got in line at 6 A.M. The line was democratic, and self-policing, and it imposed its own kind of morality on the ticket market. The best seats went to the people who were willing to wait the longest, rather than to the people who would pay the most. Of course, ticket brokers sent “diggers”—generally teen-agers who were paid a set price for each ticket they dug up—but that was O.K. with Shwalb, because, she told me, “those guys had to wait in line, too, same as everyone else.”

But the spectacle of people camped for days around city blocks to get tickets to a hot show has disappeared, as ticket buying has migrated to the Internet. Ticketmaster doesn’t dedicate a certain number of tickets to each outlet—all tickets are pooled—so ticket buyers have a better chance in the online queue than in a physical one.

At precisely 9 A.M., Shwalb filled in the “captcha”—the distorted word puzzle designed to foil automated responses and



## FOOL'S ERRANDS

A thing  
cannot be  
delivered  
enough times:  
this is the  
rule of dogs  
for whom there  
are no fool's  
errands. To  
loop out and  
come back is  
good all alone.  
It's gravy to  
carry a ball  
or a bone.

—*Kay Ryan*

bulk purchases by ticket brokers. Selecting four ninety-five-dollar seats—for her and her “core group” of Jersey girlfriends—she hit the “Get Tickets” button. The transaction began, but just after the “Complete Purchase” button appeared, a message popped up saying, “System down for maintenance.”

“What?” she thought. “They’re doing maintenance now?”

She tried again. This time, a banner appeared at the bottom of the screen, redirecting her to TicketsNow, the secondary-market site, where, it said, “tickets might still be available.” Indeed, tickets were available, at prices starting at around three hundred for the nose-bleed seats in the rafters and rising into thousands for lower-loge seats near the stage.

“It had only been ten minutes,” Shwalb said. “I thought, How the heck could all these people buy their tickets, and then list them for resale so fast?” Shwalb didn’t know that Ticketmaster owned TicketsNow. When she found that out, she understood: Ticketmaster appeared to be supplying brokers and scalpers with primary-market tickets.

By 10 A.M., ninety-nine per cent of the tickets to the two Izod shows had been sold. Maria Shwalb failed to get a single one. She didn’t even consider buying on TicketsNow—not because of the prices but because, she said, “a scalper’s a scalper.” Instead, she did what tens

of thousands of other fans who couldn’t get tickets that day did: she blamed Ticketmaster.

Both Ticketmaster and Live Nation enjoy monopoly-like dominance in their fields, but they achieved those positions by different means: Ticketmaster through technological innovation, like Microsoft, and Live Nation through consolidation, like Standard Oil. Together, these two companies have transformed the concert industry from a regional business, run by entrepreneurs, into a global one, run by corporate managers. Whether the incorporated concert business can make money is still an open question.

Bill Graham created the template for the independent promoter: part entrepreneur, part showman. By the early seventies, other men in other cities had followed him into the business: Don Law, in Boston; Ron Delsener and John Scher, in New York; Saul Hurwitz, in Washington, D.C.; and Jerry Mickelson, in Chicago. Eventually, about forty of these characters emerged in the metropolitan areas of North America. They ran their regional businesses like small fiefdoms, limiting competition, especially if they controlled exclusive venues where artists wanted to play, like Graham’s storied halls—the Fillmore West, in San Francisco, and the Fillmore East, in New York.

From the beginning, concert promo-

tion was a perilous business, because the promoter takes the risk of the concert not selling out (or, far worse, of the artist getting sick or even dying, which is what happened recently to AEG Live, the promoter of Michael Jackson’s concerts at the O2 arena, in London). The promoter guarantees the artist a minimum fee or a split of the box-office, whichever is higher, and, out of his share of the “split point” rents the hall, buys advertising and insurance, hires security, arranges the ticketing, handles or contracts for concessions and merchandise sales and parking, and lays on the backstage catering. In the early days of rock concerts, the promoter got to keep forty per cent of the box-office, but, as the artists grew in stardom, managers and booking agents were able to negotiate ever larger splits for their clients; the promoters’ share of the box-office shrank to twenty per cent, then to ten, and then to five. Graham used to say, “The only thing that is consistent in this business is that the promoter is always being asked to take less and less.”

Ticketmaster was started in 1976 by two graduate students at Arizona State University who were frustrated at not being able to get tickets to their favorite rock shows. At the time, venues sold concert tickets from their own box offices, and also distributed tickets to record stores, head shops, and other outlets. Larger venues contracted with Ticketron, then the dominant company, to sell tickets over the phone from its network of call centers and from its outlets. Some locations would sell out quickly while others had tickets left over. The A.S.U. students devised a computer network that would allow outlets to share information about their inventory, and created a database from which all tickets were allocated.

In 1982, Jay Pritzker, a wealthy investor from Chicago, purchased Ticketmaster for four million dollars. Pritzker brought in a lawyer and former standup comedian named Fred Rosen to run the business, and Rosen made two key innovations. He insisted that Ticketmaster be the exclusive ticket seller for a given event, because by controlling the entire inventory Ticketmaster could offer fans the best available seat, no matter where they purchased tickets. Ticket buyers, Rosen calculated, would pay for the convenience. In return, Rosen offered promot-

ers and venue operators a percentage of the extra charges. They were quick to embrace the new business model because it offset some of the losses from their shrinking split points. Ticketmaster bought what was left of Ticketron in 1991.

Rosen's strategy was brilliant, except for one thing: from the beginning, ticket buyers hated the fees. But ticket buyers weren't Ticketmaster's clients; the promoters and venue operators were. Ticketmaster was simply offering a service, which ticket buyers were free to forgo. As a practical matter, however, the concertgoer could hardly avoid Ticketmaster. In 1995, Pearl Jam refused to play in venues that contracted with Ticketmaster, with which it was already embattled. The band's tour, which played only in race-tracks and small arenas, and which was plagued with bad weather and illness, was abandoned midway through. Pearl Jam blamed Ticketmaster.

In 1996, Congress passed the Telecommunications Act, which, among other things, deregulated the radio industry. Robert F. X. Sillerman made a fortune by buying eighty regional radio stations and combining them into the giant SFX Broadcasting. He saw a similar opportunity to roll up regional concert promoters and assemble them into a branded, global rock-promotion company, to be called SFX Entertainment. By handling all the dates on a tour, Sillerman told me, SFX Entertainment could organize tours more efficiently, allowing acts to play more dates in less

time. It could also attract nationwide sponsors for tours, which would increase revenues. In 1997, Sillerman began making promoters generous offers for their businesses, pledging to retain them as managers, doing what they had always been doing in their territories. By 2000, SFX had acquired eighty per cent of the promotion business. It also became the largest owner and operator of venues in the United States. That year, Sillerman sold the heavily indebted company to the radio conglomerate Clear Channel for \$4.4 billion, and left the music business. Clear Channel couldn't make the company profitable, and in 2005 spun it off as Live Nation. Michael Rapino, a Canadian promoter who had sold out to SFX, became the C.E.O.

In 2007, Live Nation began making so-called "360" deals with superstar artists, among them Madonna and U2; the deals give Live Nation the right not only to promote the artists' shows exclusively but to be involved in other aspects of their careers as well. Ticketmaster responded by buying Front Line Management, partly owned by Irving Azoff, whose two hundred artists include some of the biggest acts in the touring business, the Eagles, Neil Diamond, and Jimmy Buffett among them. Azoff became the C.E.O. of the new company, Ticketmaster Entertainment, and began to eliminate surcharges by offering "all-in" ticketing, in which the fees were built into the face price of the tickets, like those the Eagles sold for some of the dates on their 2008 "Long

Road Out of Eden" tour. Azoff also devised ways of charging scalpers' prices for the best seats, without raising the face value of the tickets, by selling well-heeled fans "V.I.P. packages" that included backstage access and a meet and greet with the artist. Meanwhile, Live Nation started to develop its own ticketing system, Live Nation Ticketing, which launched in January, 2009. But three weeks later it proved unable to cope with heavy demand for the Phish reunion tour and left countless fans angry.

By then, Ticketmaster and Live Nation had decided to stop competing with each other and agreed to merge. Rumors about the deal began to circulate, and on Wednesday, February 4th, two days after the Springsteen tickets went on sale, the *Wall Street Journal* published a report saying that Ticketmaster would merge with Live Nation in an all-stock transaction. But if any of the principals hoped that this would help smooth the way for the formal announcement of the deal, the following Tuesday, they were mistaken. That afternoon, the worst possible critic of a merger—the Boss himself—weighed in.

Maria Shwalb wasn't the only Springsteen fan redirected to TicketsNow on February 2nd. According to information later furnished by Ticketmaster, some eighty-five thousand people in the Northeast received the same message. Springsteen's management began to hear complaints within an hour of the tickets going on sale. "People just started calling the office," Jon Landau, Springsteen's manager, told me. Landau himself took a call from two people who worked for a federal government agency in Washington, seeking an explanation. They were calling in their official capacity, but "they were also fans who were trying to get seats," Landau said. "They'd been shut out, too."

On the afternoon of February 4th, Springsteen posted a letter on his Web site, saying he and his team were "furious" with Ticketmaster for the handling of the Izod Center tickets, citing the redirecting of fans to its subsidiary, TicketsNow. He stated, "They did this even when other seats remained available at face value. We condemn this practice," and added, "The one thing that would



make the current ticket situation even worse for the fan than it is now would be Ticketmaster and Live Nation coming up with a single system. . . . If you, like us, oppose that idea, you should make it known to your representatives.”

The next day, Azoff issued an open letter of apology. “While we were genuinely trying to do the right thing for fans in providing more choices when the tickets they requested from the primary on-sale were not available, we clearly missed the mark,” he wrote. “Fans are confused and angry, which is the opposite of what we hoped to accomplish.” While it appeared to fans like Maria Shwalb that Ticketmaster was abetting scalping on TicketsNow, the actual reason for the redirects, according to Ticketmaster, was a technical problem that occurred in the software used to verify buyers’ credit-card information. The glitch appeared at 9:09 A.M. on the day of the sale; Ticketmaster became aware of it at nine-forty-nine, and it was fixed by eleven-thirty. By then, both Izod Center shows were sold out.

But not many Springsteen fans believed Ticketmaster’s explanation. If the company wasn’t moving tickets onto TicketsNow, who was? In fact, brokers routinely offer tickets that they don’t yet have in their possession, and people looking for tickets to other artists’ shows had also complained about being directed to TicketsNow. Ticketmaster had been the object of so much ill will, over so many years, that it was almost second nature for fans to blame the box-office monster. More than two thousand complaints were filed with the New Jersey Division of Consumer Affairs, including one by Maria Shwalb. Some fans filed a class-action lawsuit against Ticketmaster. Courageous New Jersey politicians lined up to support a fan’s right to a low-priced Springsteen ticket. The state’s attorney general, Anne Milgram, opened an investigation. Bill Pascrell, Jr., a New Jersey congressman, called for legislation to restrict ticket scalping, and make the murky world of ticket selling more transparent. (In June, Pascrell introduced to Congress the BOSS ACT—Better Oversight of Secondary Sales and Accountability in Concert Ticketing.) In Washington, the Federal Trade Commission launched an investigation into the ticketing fiasco; the

Justice Department also announced an inquiry into the Ticketmaster-Live Nation merger.

Ticketmaster quickly came to an agreement with Milgram’s office, but did not admit any wrongdoing. In addition to paying a three-hundred-and-fifty-thousand-dollar fine, Ticketmaster pledged to reimburse fans who claimed they had erroneously bought tickets on TicketsNow; this cost the company another three hundred and fifty thousand dollars. Ticketmaster also promised not to link to TicketsNow for a period of one year. The New Jersey Sports Authority agreed to conduct a raffle for fans who had filed complaints, using tickets that the authority had kept back from the initial sale.

In early April, the authority notified Maria Shwalb that she had won the right to purchase two tickets to the May 23rd show. She got good seats—Lower Loge, Section 124—and she invited her friend Marlene Caprio, from Hopatcong, whom she had known since college, to join her. They made plans to get to the venue early enough to tailgate in the parking lot before the show. Saturday night with the Boss in the swamps of Jersey at the start of summer: “It is going to be awesome,” Shwalb told me.

Springsteen’s remarks about the Ticketmaster-Live Nation merger resonated in the chambers of the Senate Judiciary Committee’s Subcommittee on Antitrust, Competition Policy, and Consumer Rights, when both Azoff and Rapino testified in a one-day hearing into the merger, at the end of February. (The subcommittee advises the Justice Department on the merger, but Justice has the authority on whether or not to approve it; the decision has yet to be made.) Virtually all the speakers referred to the Springsteen situation. Senator Charles E. Schumer, of New York, declared, “Bruce Springsteen says Ticketmaster abused his fans, and I agree with the Boss.” Schumer also questioned Ticketmaster’s explanation of exactly what happened on February 2nd: “Given what Ticketmaster stood to gain by directing consumers to its own resell site, the episode seems to be much more about money-making than about ‘malfunction.’” (In April, Schumer proposed new anti-scalping legislation,

partly in response to the outcry over the Springsteen shows.)

The merged company, to be called Live Nation Entertainment, could monopolize the concert industry. It would combine not only the world’s largest ticket seller and the world’s largest management company with the world’s largest concert promoter and the world’s largest venue operator but also the interests of Azoff; Rapino; Barry Diller, who is reportedly slated to become the chairman of the new company; John Malone, the chairman of the cable operator Liberty Global, which is a major Ticketmaster shareholder; and Ariel Emanuel, a prominent Hollywood agent who is a member of the board of Live Nation and the brother of Rahm Emanuel, President Obama’s chief of staff. In theory, Live Nation Entertainment could compete unfairly with AEG Live, the second-largest concert promoter, which was started by the Denver-based billionaire Phil Anschutz in 2005, and with the handful of remaining independent promoters, such as John Scher, who had declined to sell to Sillerman back in the nineties. As both manager and promoter, the company could deny its superstar acts to venues that refuse to use its promotional and ticket-selling services. Ticketmaster maintains that the new merger won’t be anti-competitive, because new ticketing technology allows independent promoters and venues to ticket their own shows, and that the managers’ interests will reflect the artists’ wishes.

When I went to see John Scher recently, in his offices on lower Fifth Avenue, he said he had turned down SFX’s offer of seventeen million dollars for his company, Metropolitan Talent, because “I’m hardheaded.” (His head—large, bald, and bony—looks like it could do some damage if it butted you.) “And because in my view this industry was never right for consolidation.” It was a “regional, entrepreneurial business” that, with consolidation, became “all about market share and not profitability.” Because the promoter’s margins were so slim, he had to monitor every detail of an event, including how much ice the barmen put in the glasses, or he wouldn’t make money. “That changed with consolidation,” Scher went on. “SFX said to acts, ‘How much are you making on this tour? Two hundred and fifty thousand? O.K., we’ll pay you three hundred and fifty thousand for every date on the

tour.' Soon, eighty per cent of the headliners are doing national tours, for inflated guarantees. What's the result? Live Nation can't make money. So they go to Ticketmaster and say, 'We need a bigger piece of the service charges.' So Ticketmaster raises its service charges. And then what happens? The public gets fed up. Six- to eight-dollar beers, expensive hot dogs, outrageous parking fees, and expensive tickets—who needs it? So all that starts to erode the business, then gas prices go up, then the economy tanks. And then Michael Rapino stands up in front of Congress and says the business model is broken, and therefore Live Nation has to merge with Ticketmaster. Well, who broke it?"

On the other hand, if the concert business is to become what the record business was for the entire music industry—the hub from which everything else flows, as Rapino put it in his testimony to the subcommittee—then something needs to be done. Because, if new superstars aren't developed, the concert industry will die, just as the record industry is dying, and then there won't be much of a music business at all. Danny Goldberg, a longtime music-industry professional, told me recently, "I'm not a big fan of consolidation, but it's better than anarchy."

Irving Azoff, who in more carefree days helped Joe Walsh, a client, cut a door-size hole in a hotel-room wall with a chain saw so that they could have adjoining rooms, is now widely seen as the last best hope for the music business. When I asked him what was wrong with it, he replied, "The way the industry is monetized has totally changed. The order used to be: first, records; second, live; third, merchandise. Now it's: first, live; second, third-party sponsorship; third, merchandise; fourth, publishing; fifth, records. So that's a big difference." He added, "And the business model has changed. The old model was: put a single on the radio, put a video on MTV, and sit back and watch the music sell. That is gone. MTV doesn't play many videos, and radio has playlists that are targeted toward a specific, narrow demographic—white females between thirty-five and forty-five, say. Well, that's not a group from which to build a large fan base."



Azoff also told me that he would be happy to see Congress pass new legislation prohibiting scalping, although he didn't have much hope of that happening. But, I asked, wouldn't those laws spell the end of TicketsNow? "I wouldn't have bought TicketsNow if I were running Ticketmaster then," he replied. In the short term, he went on, "paperless ticketing" was proving to be an effective tool for combatting the secondary market. For this fall's Miley Cyrus tour, Ticketmaster offered only paperless tickets: instead of receiving printed tickets in advance, concertgoers must bring to the venue the credit card they purchased tickets with as well as a matching I.D. As a result, there are very few Miley Cyrus tickets for sale

on the secondary market. (Springsteen recently announced that Ticketmaster will offer only paperless ticketing for some sections of the venues he's playing in the fall.)

Azoff suggested, by way of an anecdote, that a dynamic pricing system—in which ticket prices would fluctuate with market demand, as they do on the secondary market—might be the future of concert ticketing. "Before I testified in Washington," he said, "one of the committee members called me into his office and said, 'What are you guys, fucking stupid?' I said, 'What do you mean?' He said, 'You've got the only business I can think of where the price goes up as soon as the merchandise leaves the store. It's crazy.' Then he said he flies back and forth a lot to see his family, and the reason he can do that is because the coach seats are reasonably priced, because some people are paying first class. When are you guys going to go to a dynamic pricing system, so that the people who pay a hundred and fifty dollars for seats up front can subsidize thirty-dollar seats at the back?" he asked. I said, "That makes sense." While a dynamic system would make hot tickets like those to Springsteen's Izod Center shows more expensive, it could also make tickets to less sought-after shows less expensive; on StubHub, tickets to Springsteen's Greensboro show sold for as little as twelve dollars.

I wondered whether live music had a long-term future at all. Azoff wasn't worried. "Since 1966, when I started in this

business, I've worked in almost every aspect of entertainment," he told me. "I've been a manager, I've run a record label, I've produced TV shows and movies—pretty much everything. And, still, the most powerful thing I know of in entertainment is the live experience. The performer onstage receiving the adulation of the fans—there's nothing like it, and that's never going away." He rejected the idea that the live business would suffer from a lack of artist development. "Taylor Swift—and she's not even my client!—or the Kings of Leon. These are career artists that are going to be around for a long time." Would they fill stadiums and arenas forty years into their careers, as the Eagles do? "Absolutely," Azoff said. He added that he thought stealing music had actually generated more interest in live music. "So I'm not one of those guys who goes around saying the sky is falling."

A few days before the first of the two Izod dates, the New Jersey *Star-Ledger* ran a story about how many tickets had been held back from the initial sale of the Izod shows and who had held them; Ticketmaster made this information available to the New Jersey attorney general during the investigation. The numbers revealed an inconvenient truth for Springsteen and the politicians who had rallied to his side: many of the seats had been held back by Springsteen himself. In June, the *Star-Ledger* ran another article pointing out that the holds included many of the best seats. According to the newspaper, 2,262 seats were held back for the May 21st show, which represented sixty per cent of the best seats in the house. Springsteen, the band, his management company, and Columbia Records, his label, had retained 1,450, and the New Jersey Sports Authority, its sponsors, and the media got the rest. (None of the ninety-eight hundred seats in the upper tier were held back.) Of the 1,126 seats in the four lower-loge sections closest to the stage—the very best seats in the house—all but a hundred and eight were kept from the initial sale. (The *Star-Ledger's* hold numbers were from March; by showtime in May many of these seats had been released to the public.)

"Everyone knows that in New York and Los Angeles you have to keep a fair number of tickets back," Jon Landau ex-

SPECIAL ADVERTISING SECTION

## Taking Center Stage with Piers Handling

Director and C.E.O., Toronto International Film Festival

The 34th annual Toronto International Film Festival gets under way on September 10th, offering the cream of international cinema over ten days in the world's friendliest big city. As Director and C.E.O. of TIFF, Piers Handling is the artistic leader of one of the world's most vibrant cultural organizations. Mr. Handling talks about what makes the Festival one of the world's most prominent festivals and cultural destinations.

### How does Toronto stand out from other festivals?

The public owns it. From the beginning, it was meant to be the people's festival, and our most important award—the Cadillac People's Choice Award—is chosen by our audience.

### How has the Festival changed?

The founders wanted to do a broad selection of the best films from around the world. We've remained true to that core mission, and it's always retained its friendly flavor. Today, Toronto is seen as one of the must-attend festivals and a major industry destination—one of the key marketplaces where films are bought and sold.

### Tell me about Bell Lightbox, the brand new headquarters project scheduled to open in 2010.

It was always a dream of mine to create a true center for film in North America. It's a huge project for us, and our target for fundraising is \$196 million. For more than thirty years, people from all around the world have gathered at the Festival to celebrate the extraordinary riches of the cinema. Bell Lightbox will help satisfy the demand of the many thousands of people who turn to the Festival every year to celebrate film. In addition to theaters, the building will have a gallery, a learning studio, two restaurants, a retail store, and a box office. During the Festival itself, it will become the true center of the event, a real gathering spot.

### How important are the interactive elements at the Festival, like Q&A sessions?

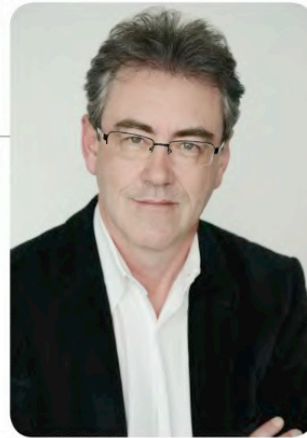
It is one of the long-standing traditions of this Festival: the interaction of the audience with the filmmaker. Very few people come face-to-face with a director or a movie star. During the Festival, people get the chance to connect with the best and brightest in world cinema today through Q&A sessions, the red carpet, and industry events. The live part of the Festival cannot be duplicated.

### What can we look forward to this year?

We are really excited to offer lots of free activities, including outdoor screenings and events at Yonge-Dundas Square, a large downtown public gathering spot in Toronto. One of the new programs this year is called City to City, which will explore the evolving urban experience while presenting the best films from and about a city—this year is Tel Aviv. It will be a new kind of look at Israeli cinema.

### How important are the many Hollywood premières?

Every festival needs that kind of attention and glamour. But the Festival is a supermarket, with hundreds of options: you could come here for ten days and not see anything from Hollywood. You can dip in and see a variety of films, including high-profile work from celebrated filmmakers as well as independents. When I talk to my friends about what they've seen, I realize they've each had an entirely different experience. It's great that people can create their own festivals within the larger event.



Piers Handling





plained to me. "There's a lot of media, most of the band and the crew live around here, and they want to be able to invite family and friends to the show. And you need tickets for your record company, agency, and V.I.P.s, which is a very real phenomenon in New York and L.A. If Faith Hill and Tim McGraw call up and want to see a show, you'd like to be able to offer them good tickets." (Landau also pointed out, in a letter posted on Springsteen's Web site, that the holds were blended with the fan seats.)

No one was accusing Springsteen of scalping these tickets—the idea was unthinkable. By pricing the best seats at ninety-five dollars, however, Springsteen was giving fans like Maria Shwalb the illusion of getting a good seat for cheap, when in fact many of the best seats never went on sale at all. Also, by holding back so many choice seats, Springsteen was contributing to the high prices for the few that were available on the secondary market—a fact that ticket brokers were quick to note. Don Vaccaro, the C.E.O. of TicketNetwork, a brokerage site, has said, "It's unfortunate that fans were misled that most of the best tickets were made available to the public. . . . More surprising is that an artist who claims to be for the common man would be part of that scheme." Not long after Vaccaro made that statement, three ticket resellers, including TicketNetwork, were sued by the New Jersey attorney general for selling tickets to a series of Springsteen shows at Giants Stadium that had just been announced for the fall—tickets that had not yet gone on sale.

At around five-thirty on the afternoon of Saturday, May 23rd, Maria Shwalb steered her pewter-colored Nissan with "JNGL LD" license plates off Route 3. She passed the spot just inside the Izod access road where the scalpers usually congregate, but no scalpers were there. She was directed to a parking space near the arena, and she and Marlene Caprio got out their lawn chairs and the cooler, and settled in among the faithful for a tailgate party.

Shwalb had no problems with all the tickets the Boss had held back. "It's his show," she said, and laughed. "Bruce can do no wrong in my book."

"I just hope he plays 'Jersey Girl,'" Marlene said.

All around, other fans were drinking beer, playing bean-bag-toss games, blasting Springsteen from boom boxes, and dancing, possibly with strangers.

Shwalb spotted a volunteer who was collecting money for the Community Food Bank of New Jersey, a charity that Springsteen supports, and she reminded her friend to make a donation before they went in, because that would also enter them in a raffle for two tickets to stand right in front of the stage.

At about seven, they got in line to pick up their tickets. Nearby was a lone fan with a "Need Tickets" sign hanging from his chest, forlornly askew.

"Where are all the scalpers?" I asked him. Combing the crowd earlier, I hadn't seen any, and concluded that the Internet, in fostering a nation of scalpers, has been hard on the sidewalk men.

"They're around," the ticket seeker said confidently. "They're just lying low." But he was still standing there, alone, at seven-thirty, a half hour to showtime.

By eight o'clock, Shwalb and Caprio were in their seats. When a representative of the Community Food Bank called the winning raffle number, a scream rang through the arena—it was Maria. She and Marlene had won. They were escorted down to the stage just as the house lights dimmed, a roar went up from the crowd, and, with the opening riff of "Badlands," the stage lights came on to reveal Bruce, almost close enough to touch.

And so Maria Shwalb's dream did come true. An investigation by the New Jersey attorney general and a class-action suit went down and two strokes of good fortune were required before it happened, suggesting that the dream still needs some work, but that didn't matter to Maria. All that mattered for the next two and a half hours was the singer, the song, and the press of flesh around her. "It was an absolutely amazing, exciting, awesome experience—to be that close after all these years," she told me after the show. "We felt like we were twenty-one again and could party and dance all night." ♦

#### CORRECTION OF THE WEEK

*From the Washington Post.*

A May 22 editorial on Virginia's Democratic gubernatorial primary incorrectly stated that Terry R. McAuliffe had described himself as a "huckster." In his autobiography, Mr. McAuliffe described himself as a "hustler."

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