

Testimony of Erik Joerss Director of City Legislative Affairs NYC Department of Consumer Affairs

Before the New York City Council Committee on Consumer Affairs

Regarding Intro 247

October 28, 2011

they go on sale long enough? Should it be for at least one week? Should it be until the date of the performance? May the set-aside tickets never be released?

- Third, the record-keeping requirements in the bill do not enable the Department to assess compliance with the law. The requirement that places of entertainment maintain only records of the total number of tickets available for sale to individual consumers and the location of corresponding seats will not, upon audit, inform the Department whether or not there was compliance. The lack of an electronic record-keeping requirement will significantly thwart attempts to audit compliance, though we're mindful that such necessary electronic record keeping could well be quite costly to regulated entities.
- And fourth, the Department lacks the docketing authority that would allow
 us to hold those who violated the law accountable if they chose to ignore
 adjudicated fines, a particularly serious impediment to holding accountable
 industries not licensed by the Department.

The Department appreciates the Council Members' efforts to ensure that the public has the opportunity to purchase tickets to special events and performances at the box office and at face value. We also appreciate ticket sellers' legitimate interests in selling their tickets, and while protecting consumers, we don't want to unduly burden the marketplace. We look forward to hearing testimony today from artists and ticket sellers regarding their perspectives on both the fairness and practicality of Intro 247.

Thank you again for the opportunity to comment on this bill. I will be happy to answer your questions.

For the Record



FELIX CIAMPA SENIOR VICE PRESIDENT GOVERNMENT AFFAIRS

October 28, 2011

The Honorable Leroy Comrie New York City Council 250 Broadway – Suite 1865 New York, N.Y. 10007

Re: Intro. 247 of 2010

Dear Council Member Comrie,

As the operator of some of New York City's most iconic live entertainment and sports venues, including Madison Square Garden, Radio City Music Hall and the Beacon Theatre, we wanted to take this opportunity to share our concerns with Intro. 247. The Madison Square Garden Company believes that Intro. 247, while intending to ensure consumer access to tickets without paying exorbitant prices to ticket resellers, would instead further limit consumer access to tickets and would present security and operational issues at both Madison Square Garden and Radio City Music Hall and other venues throughout the City.

The Internet has revolutionized and democratized the sale of tickets with consumers today heavily favoring purchasing tickets via phone and the Internet for convenience, with only a small percentage of tickets being sold at the box office. The Madison Square Garden Company believes that phone and Internet sales provide an equal playing field for all interested ticket purchasers, including out of town patrons and those who work. We have supported measures, such as New York State's recently amended Arts and Cultural Affairs Law, that penalize unscrupulous ticket brokers who bypass venue imposed purchase limits by using automated ticket purchasing software to make multiple Internet purchases.

However, by requiring that large venues set aside 15% of tickets at the box office, Intro. 247 actually creates a situation that will benefit brokers and ticket resellers to the detriment of ordinary consumers. As a practice, brokers hire people to stand in line and buy tickets, whereas ordinary customers who cannot get to the box office and/or wait in line for hours or days at a time will be denied access to these tickets.

In addition to creating a situation that would make ticket purchasing harder for consumers, Intro. 247 would create long lines at our box offices and pose not only operational difficulties at both Madison Square Garden and Radio City Music Hall, but also a significant security risk at Penn Station, the nation's busiest transportation hub and Rockefeller Center. The safety and security of our consumers and our employees is of the utmost importance to us and would be much more difficult to provide in a system that encourages thousands of people to physically wait in line for hours or days at a time on the public sidewalks surrounding either Penn Station and Madison Square Garden or Radio City and Rockefeller Center.

If you are interested, we would welcome the opportunity to speak more about this legislation in person. Please feel free to contact me at 212-465-5977 or felix.ciampa@msg.com.

Regards,

Fellex Clampa

cc: Hon. Christine C. Quinn, Speaker

Hon. Daniel R. Garodnick, Chair Committee on Consumer Affairs

THE MADISON SQUARE GARDEN COMPANY

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KEAD INTO

October 28, 2011

The Honorable Daniel R. Garodnick Chair, Committee on Consumer Affairs **New York City Council** 250 Broadway New York, NY 10007

Dear Chair Garodnick:

As former consumer protection officials in the City and State of New York, we are writing to offer our opinion with regard to consumer ticketing issues that the Committee on Consumer Affairs will consider during the October 28, 2011 hearing entitled Ticket Sales in New York City - Setting the "Stage" for Increased Consumer Protections.

For many years consumers have enjoyed a simple relationship with tickets we purchase. We attend an event as planned, or if one of life's challenges intervenes – business trips, kids getting sick or the babysitter cancels - we can hand our tickets to a family member or friend or perhaps sell them to another fan. In the Internet era, consumers have benefited from the emergence of multiple competitive online ticket resale markets that permit sales and purchases of tickets as little as an hour before a sporting event or concert begins.

Recently, however, Ticketmaster and other ticketing agencies have introduced so-called "paperless" tickets that are tied to purchasers' credit cards and photo IDs. These restrictive tickets change significantly consumers' relationship with <u>our</u> tickets. With paperless tickets we cannot meet our friends "at the seats" because we all have to enter the arena together. We cannot gift tickets without attending an event with the gift recipient (which is particularly challenging when recipients live far away). Moreover, if plans change which is often beyond our control, paperless tickets are frequently non-transferrable so we lose all our money – we cannot even give our tickets away.

When permitted, paperless ticket transfers are tied to the original seller's resale platform, so consumers lose the benefit of today's competitive resale market. StubHub, Ticketmaster and many local brokers compete today for consumers' ticket resale business. Paperless tickets deny consumers the benefit of that competition, which undoubtedly will result in higher prices and diminished customer service.

During the Committee's hearing and in the weeks that follow we expect you will hear a diversity of opinions and identify many ways to protect and promote the interests of New York City consumers. Thank you for including our views in the record of today's hearing, and in your consideration of the Committee's next steps.

Mindy Bockstein Chair and Executive Director **NYS Consumer Protection Board** 2007 - 2011

Jules Polonetsky Commissioner NYC Department of Consumer Affairs 1998 - 2000

DEAD INTO
RECORD

October 28, 2011

New York City Council Consumer Affairs committee

"Ticket Sales in New York City - Setting the 'Stage' for Increased Consumer Protections"

Testimony for the Record

Alan Zwirn, Rockaway Beach, Queens, NY

I use a mini season plan to the Yankees for personal as well as business purposes. If I don't have individual game tickets in hand to share with clients, that hurts my marketing. I also enjoy gifting tickets to friends or family, or selling them at face value to cover a portion of my costs. I'm sure there are thousands of others who employ the use of event / sports / concert / theater tickets, etc, in the same manner. Without actual tickets in hand to pass along, my privilege to share or sell is severely limited. If I lose this privilege, I'll be forced to give up my ticket plan.

Unfortunately, I see the concept of "Ticket - less Entrance", which depends on "ID" confirmation, being pushed by large ticket vendors like Ticketmaster, as a pure power and money grab for total control of who enters a venue. Not only will this limit small players like myself, it will disconnect untold numbers of fans who would love to see a game, concert, or show, but have no means to purchase a ticket once they get boxed out in the mad computerized rush for initial ticket sales.

The Ticketmaster plan means the "little guy" takes it on the chin again!" Please stand up for the "little guy", and tell Ticketmaster and its "big time player" allies, "NO!", "NO WAY!", and "NO!" again.

READ INTO

Statement of Lori Lerner New York, NY

New York City Council Committee on Consumer Affairs - October 28, 2011

Ticket Sales in New York City – Setting the 'Stage' for Increased Consumer Protections

"I have bought tickets on StubHub that I otherwise could not get. I've also sold tickets when I was sick and could not attend an event. If I am paying my fees to Ticketmaster when I buy them in the first place especially, or even if I have season tickets to somewhere, it is my money and my tickets and I should be allowed to do with them what I want."

READ INTO

Testimony for the record. NYC Council Consumer Affairs Hearing: "Ticket Sales in New York City – Setting the 'Stage' for Increased Consumer Protections"

Friday, October 28th 2011

Brendan J. Walsh

North Shore, NY

I am writing this in full support of the Fan Freedom Project. I am a season ticket holder for the NY Mets and as such have no interest in seeing the rights I enjoy as a season ticket holder be taken away by those who want to change the current method of issuing, transferring and selling tickets.

And I am not only speaking for my fellow season ticket holders. I am speaking for all those who own single game tickets who want or NEED to sell them and I am speaking for those who want to BUY them. This is the USA. Markets are made by buyers and sellers and it is that interaction that brings markets to fair prices. ANY intervention disrupts that dynamic. ANY intervention is an intrusion into not only free market activity but also into my own personal activities. The introduction of paperless tickets does nothing except cause inconvenience and confusion. I am still trying to figure out what the benefits are. Saving paper? Please. We pay for our tickets. We own them. No one has the right to impose restrictions on something we pay good money for. Leave us alone. We support our teams and pay all the other taxes associated with going to a ball game. Enough is enough. We want our tickets!!

READ INTO RECORD

City Council Hearing, "Ticket Sales in New York City – Setting the 'Stage' for Increased Consumer Protections." Friday, October 28th 2011

Thank you members of city council for allowing my testimony to be put on the record, my name is Mario Asaro and I am from Douglaston Queens.

My testimony will focus on three main issues: transferability, transparency, and increasing prices and service fees for tickets.

I have lived in NYC for close to 50 years and have been an avid concert and sports fan for over 30 years. I remember buying tickets for concerts and sports events for \$5 each face value and I remember lining up to get tickets to my favorite events the day before they would go on sale. In those days we knew who the brokers and scalpers were because they and their workers stood on line with us. We also knew when the ticket agency would take tickets for themselves, because without virtual sales it was easy to figure out that a 40,000 seat event should not sell out within an hour of going on sale.

Today in the wired world, we pay a lot more to attend our favorite events, the brokers and scalpers have high tech methods to get more than their fair share of tickets and more and more teams and promoters and ticket agencies are illegally holding back tickets for higher resale or dumping blocks of tickets at below cost when the market will not bear the inflated price for the event.

Transferability:

I have been a partial and full season ticket holder for the Mets for the past 26 years, if New York were to allow a paperless restrictive ticketing system which would not allow me to give away or resell my tickets directly I would have to give up my season tickets. I sat behind home plate in Loge throughout the 80's for \$13 a game and slowly watched it go up to \$60. With the advent of the new stadium, ticket prices sky rocketed and many of us working class fans moved to the upper decks. We were told when we bought our plans that we would have the right to resell them on the secondary market or give them away.

We, the fans, own the tickets that we buy. That's the way it's always been, and the way it always should be. I often give my tickets to my friends and relatives or anyone who would be willing to see my sorry Mets. Can I sell an occasional game for a slight profit, yes but most times I lose money or break even. It works both ways, I have paid \$150 for a sold out game/concert that I wanted to see and I have also paid \$5 for a meaningless game that would cost me and my family \$20 or more each to attend.

I consider myself part of the 99% and am not a big fan of capitalism and the current trend of overpricing everything in this city, but the free market system has to work for all of us and not just teams, promoters and ticket agencies. Reselling tickets is not the problem; we need laws and safeguards that will stop brokers from illegally getting large blocks of the best seats. When there is a 4 ticket limit for a high demand event, it is outrageous to find blocks of 5 or more seats for sale on secondary networks. Clearly it should be impossible for anyone to have more than 4 seats together.

EVERYONE should have an equal chance to buy tickets to in demand events; we need to stop punishing the fans who are trying to afford a chance to see their teams and entertainers.

Transparency:

I am not naïve enough to think that brokers are the only problems, Ticketing Disclosure and transparency is essential to consumer fairness. Until artists, promoters and venues as well as primary and secondary ticket selling agencies agree to disclose exactly how many tickets are available to the general public and where all their tickets are going; consumers will never have adequate information when purchasing tickets. Stubhub, while providing a valuable service, makes an obscene amount of money without any risk (15% of the sale from the seller and 10% of the sale from the buyer). The fans are the ones who lose out when they can't resell a ticket or get what they paid for it back. Stubhub as well as other primary and secondary major sellers are now partners with major sports teams and entertainment agencies. In some cases there have been reports of high demand tickets being held back from the public and going directly to the secondary market, additionally there has also been a disturbing reverse trend. When a team or show is not doing well, we find large blocks of tickets for sale at drastically reduced prices. I have seen this for the Mets, where my upper deck tickets cost me \$30 each and when I go to sell 2 of them I cannot even get close to my money back. Not because the Mets are doing so bad but because entire blocks of tickets in front of me are for sale at 50% or more off the price I paid for the ticket. Stubhub says they can't tell me who post the tickets and the Mets front office says it is not them. I do not expect myself or anyone on the council to believe that some savvy broker is buying blocks of tickets to a meaningless Met game in the nosebleeds for \$30 each to resell them at 15. I speculate that whoever is posting these tickets is buying them from the Mets at a big discount and the Mets rationalize that getting \$5 a ticket is better than having large blocks of tickets remain unsold.

But who does this really hurt, it hurts the everyday fan and working season ticket holder who buys tickets from the Mets at inflated face value only to have the club who begs for their loyalty and patronage under sell them. So while their sales pitch to buy season tickets is that you can resell games you can't go to on the secondary market, it is a misleading and fraudulent statement when the secondary market is being unfairly manipulated by teams, artists and promoters to make many tickets worthless. It is one thing when the fans and legitimate ticket buyers set the secondary market price for a ticket but If clubs, promoters and ticket agencies are underselling their own product, it should be investigated and if not stopped at least disclosed to consumers.

Prices and Service Fees:

Finnally, it bothers me that some major ticket agencies are trying to corner the free market for themselves and monopolize the ticket industry despite the ludicrous fees and charges they make us pay to buy tickets at outrageous prices. In the past I have been a season ticket holder for the Jets and Rangers, I have had to give up both options as prices rose.

Please let me end by thanking fan freedom for bringing these issues to light and let the record show that I subscribe to the fan freedom basic rights of ownership, transferability, transparency, fair access, and competition and I support legislation to protect those rights. Thank you for your time today and for the opportunity to have my opinions put on the record. I have sat at Shea and Citifield almost every Sunday for the last 25 years, I want to pass my love of the game and our team down to my kids, I beg the council to not let greed and a corrupt ticketing process take away my and many other fans right to root for the Home Team.

Testimony of Mr. Gary Adler, General Counsel, National Association of Ticket Brokers New York City Council Committee on Consumer Affairs Hearing on

Ticket Sales in New York City - Setting the Stage for Increased Consumer Protection

October 28, 2011

Chairman Garodnick and other esteemed members of the Committee, my name is Gary Adler, and I am general counsel to the National Association of Ticket Brokers, the NATB. The NATB was formed in 1994 by a group of concerned ticket brokers who desired to establish an industry-wide standard of conduct and to create ethical rules and procedures to protect the public and foster a positive perception of the industry. I commend you for looking at ways to further protect consumers, and I thank you for offering me this opportunity to present the NATB's views on the subject.

While the goals of the NATB are many, our primary objective is to represent the interests of legitimate ticket brokers by promoting consumer protection and educating the public about the secondary market. One of the foundations of the NATB is assuring the public that when dealing with an NATB member they are working with an honest, reliable broker that will deliver what is promised.

Through self-governance, the NATB has provided enhanced protections for ticket-buying consumers. NATB has worked with law enforcement agencies, state and federal legislators, Broadway producers and professional sports leagues and teams.

The NATB believes that the number one consumer issue in the secondary market is primary sellers' attempts to restrict competition in the secondary market through tactics such as restricted paperless ticketing and will call only sales. These restrictions, particularly as implemented by companies such as Ticketmaster, are anti-consumer and anti-competitive. Reports have indicated that the intended goal of such measures is to reduce the ability of "scalpers" to access their tickets; however, as I will describe in my testimony, a further look into these practices reveals the true profit motivations behind the use of these measures, and the negative consequences it is having on the rights of consumers, the costs of tickets, and the value of the free market.

At its heart, this issue is about whether a consumer who spends his hard earned money on a ticket to a concert or sporting event should have the right to sell that ticket or otherwise transfer the ticket as he sees fit. State laws, such as New York's, are there to ensure that consumers can freely transfer their tickets, but restricted paperless ticket and will call only systems restrict that ability and violate the intent of legislators to protect the rights of the consumers over the competitive practices of companies, like Ticketmaster.

Certain acts, such as Radiohead, that use will call only sales require the credit card and ID of the original purchaser to access tickets, even if the original purchaser is not attending the show. And by requiring that all members of the party enter at the same time, the system restricts the ability of purchasers to give tickets to their friends or children and causes long lines and logistical nightmares for fans who are forced to check-in on site. In the past we have seen that in order to avoid the extreme inconvenience of forced attendance at the time of the show simply to acquire the tickets, Ticketmaster has offered "VIP" packages at a much higher rate to allow others to gain entry without the need for ID and credit card. As such, fans can avoid potentially hours of waiting in line, but only at a much higher price paid to Ticketmaster.

In addition, the use of tools such as will call only sales and restricted paperless ticketing is extremely anti-competitive to consumers because it strips them of their legal right to give their tickets to whomever they choose. Again, experience shows that Ticketmaster may permit consumers to resell their paperless tickets, but only through Ticketmaster's own Ticketexchange, through which Ticketmaster can pocket additional fees, on top of all of the other so-called "convenience" fees it charges for the initial sale of the ticket.

Moreover, even if the primary seller's intent is well meaning, the simple truth is that allowing the primary seller to limit the transferability of tickets denies consumers of any choice, and competition for prices is stifled. This results in higher prices. In addition, restricted paperless ticketing and will call only sales choke off competition within the secondary market and restrict consumers of their right to use a broker to manage their ticketing needs and of their right to give, sell, or exchange their purchased tickets in an open marketplace. Fans prefer to receive their tickets in different fashion, such as will call, box office, or online. NATB believes consumers should not be forced to pick tickets up at the time of the show with a required photo-ID. Fans should also not be forced to hand over their private information, such as credit cards, to others in order to allow access to an event.

I wish to note that in the recent past, U.S. Senator Herb Kohl (D-WI), Chairman of a Senate Antitrust Subcommittee, wrote a letter to the Department of Justice on the Ticketmaster/Live Nation merger, suggesting that devices such as restricted paperless ticketing systems unfairly takes away the right to transfer tickets, creating a stranglehold that could essentially eliminate any type of competition in the secondary ticketing market.

As Senator Kohl put it: "the existence of a fair and vibrant secondary market ... has the potential for substantial consumer benefit ... and ... can work to the advantage of consumers by offering them both a place to sell unwanted tickets and to purchase tickets to sold out events." Senator Kohl continued by noting that "paperless ticketing ... may have the effect of eliminating the secondary ticket market, particularly if implemented at Live Nation venues after the [Ticketmaster/Live Nation] merger".

Particularly now that Ticketmaster and Live Nation have merged, the NATB strongly recommends that the Council stand with consumers and promote competition by prohibiting the ability of Ticketmaster, or any other entity, to use any device to restrict consumers' rights to resell their tickets in the open market as they see fit.

I would also like to comment on Local Law Int. No. 247. Specifically about the Legislative Intent Section's assertion that "ticker brokers often use computer software to purchase tickets in bulk, giving themselves an unfair advantage over individual purchasers and creating a secondary market in ticket sales that gouges consumers by charging several times the face value of the tickets". I respectfully submit that this sentiment is misplaced.

As a threshold matter, the NATB does not countenance the use of automated devices that prevent the public from purchasing tickets. Indeed, NATB has never opposed a legislative initiative to combat such an abuse. Having said that, the NATB does not believe that the use of automatic devices should be blamed for limited public access to tickets. To the contrary, as we have seen in the past, the primary seller's practice of holding back tickets is often the cause. That is why the NATB promotes legislation that requires transparency through provisions which require primary sellers to disclosure how their tickets are distributed.

I would also be remiss if I did not comment on the use of the term "gouges". The secondary ticket market, when it is open and free with full transparency, insures that consumers get the best price. Indeed, a significant number of tickets are sold on the secondary market below face value. Legitimate brokers such as those who are NATB members provide a valuable service at a price set by market conditions.

Again, thank you for holding this hearing and allowing me to present NATB's views on these important issues.



For the Record

729 Seventh Avenue, 5th Floor New York, NY 10019

STATEMENT OF THE BROADWAY LEAGUE

October 28, 2011

The Broadway League has been the principal trade association for the commercial Broadway theatre industry for over 80 years and currently represents more than 750 leading theatre owners, producers and road presenters nationwide. The League always supports legislation benefiting consumers by reducing the probability that unscrupulous ticket resellers will take advantage of live entertainment patrons. The League applauds the Council's efforts and is appreciative that the proposal acknowledges the unique ticketing model of live theatre by excluding the majority of venues in Times Square. Unlike other forms of live entertainment, we potentially have unlimited inventory for many shows. However, we have to oppose this legislation in its current form because it may actually improve the environment for brokers without significantly benefiting consumers because, unlike the general public, brokers closely monitor ticketing practices, such as when new tickets go on-sale, price adjustments and special box-office offers, and are generally in the best position to capitalize on these occurrences.

If enacted, this bill may open the door for future administrations to eliminate exemptions for smaller venues and longer-term performances. Additionally, Touring Broadway shows perform across the country, frequently utilizing performing arts venues with more than 3000 seats and playing just a few nights before moving on to a new city. If other jurisdictions were to enact this legislation, based upon New York City's precedent, the entire industry could be affected.

We maintain that it should remain in the purview of the individuals or organizations that have invested their time, money and resources into a project, such as the venue operator, show producer and/or artist, to determine the number of tickets an individual consumer may purchase per day for a given performance. This proposal puts the burden on the venue to track each individual who approaches the box office window and monitor customers who may have left the venue but returned hours later to make a

subsequent purchase with a different credit card or cash (where the buyer remains completely anonymous). Scalpers also employ other strategies to overcome box-office ticket-limits, such as paying undergraduates to wait on student-rush and standing-room lines. However, when brokers use the internet, primary sellers can monitor and respond to their efforts, even when they try to obfuscate their purchases, by identifying trends.

Broadway tickets are not specifically placed aside for box office or internet sale, but nearly all tickets (a few are commonly held back for last minute emergencies, but released into the general pool a few days before the performance date) are retrieved from one source. The agent at the box office window has access to the same pool as Ticketmaster or Telecharge.com, so all customers have the ability to purchase the same tickets, whether at the venue or through the internet.

Broadway theatres generally restrict daily sales to eight tickets per person, but theater operators are constantly combating software designed to defeat these restrictions on our websites, even though using this software violates State Law. However, the internet is clearly the method our loyal customers prefer to use to obtain tickets. Currently, over 65% of Broadway theatre patrons buy tickets through the web, up from just 15% a few years ago. We anticipate internet sales will eventually become the principal choice among ticket buyers and don't believe that requiring the venue to hold tickets at the box-office for in-person purchases is a benefit to consumers.

Finally, a minor technical recommendation: The language of the proposal should be amended so the introductory sentence in Section 20-810 states, "As used in this Subchapter," rather than "in this Section." The purpose of the amendment would be to make it clear that the definitions apply to the entire Subchapter.

On behalf of the Broadway theatre community, the League supports the Council's ongoing and sincere dedication to addressing this problem in a fair, balanced manner.

For the Record

Dear Council Members Comrie, Brewer, Koslowitz, Palma, Recchia and Williams,

My name is Leor Zahavi and I am the Founder and CEO of Admit One, LLC. I would like to thank you all for inviting me to participate in your efforts to better understand the relationship between consumers, primary ticket sellers (made up of venues, artists, producers, Ticketmaster etc.) and the secondary ticket reseller (licensed ticket brokers and online ticket marketplaces).

Imagine if a New Yorker walked into an electronics store and purchased an, IPAD or a flat screen TV. As he was paying at the cash register, the clerk proceeds to tell him that he would never be allowed to resell it and that he was also restricted from giving any of these items as a gift to a relative. What if there was a different store that sold the same goods but imposed a pricing floor on how much you could resell your IPad or TV for, in essence making sure that you could not undercut their prices. Would this committee or any other regulatory body ever allow a merchant to restrict a New Yorker's rights in such harsh fashion?

These unjust and restrictive business practices have been standard operating procedure for many primary ticket sellers, both in the past and in some cases present, throughout the New York market.

For as long as there have been live events, there have been those individuals who have been able to gain access and those who have not. At some point, someone had to come up with the idea that there was money to be made by charging a fee for fulfilling people's desires to gain access to sold-out events. However, I suspect that even centuries ago there were times when demand for an event exceeded the supply and when that happened, I believe that there were individuals who viewed that demand as an opportunity to provide a service. In today's world, the relationship between all the players in the live event market has become somewhat blurred.

Consumers/Fans have become both buyers and resellers.

The cost of season tickets has become increasingly difficult for fans to afford. However, as a result of a vibrant resale market, especially with sites like Stubhub, fans are able to offset their initial costs by selling some of their tickets to other fans. So, now when a fan has to make a decision to purchase a season ticket for the following year they can factor into the decision their ability to liquidate some of their inventory. This process is helpful to all of the players, the fan gets to renew their season tickets, the team gets the fan's money from the renewal and other fans, who are not season ticket holders, can attend games at prices that are very often below the face value of the tickets

Primary Sellers

Venues, artists, producers and teams offer tickets for initial sale, sometimes withholding certain locations to be released into the marketplace at prices that match (or exceed) secondary prices. They create VIP premium packages and also partner with secondary ticket resellers. Ticketmaster/Live Nation owns venues, produces shows, controls the initial on sale of tickets and owns secondary ticket resale platforms such as Platinum Exchange and Tickets Now.

Ticket Resellers

The internet has provided consumers with increased transparency and has been helpful in providing safe and secure mechanisms for the resale of tickets. On a daily basis thousands of individuals and companies are transacting on various ticket marketplaces like EBay, Stubhub, Ticketmaster's Tickets Now and Ticket Network. In New York City, there are several licensed ticket resellers who are providing jobs, renting space and frequenting local shops near their offices. There are over 60 of us at Admit One; most of us live in the five boroughs and in light of the current job market, we are all incredibly grateful to have a job. Additionally, ticket resellers are not only selling tickets at above face value but we have now become very active sellers of tickets at below the face value and as a result we not only compete with other professional resellers but we now also compete with the primary market.

Every so often, I come across an industry article or an editorial commenting on whether it is appropriate for all of these players to participate in all the different elements of the ticket selling process. While I can understand that there are varying (and passionate) view points, I think that these debates stem from concerns that the status quo might be in jeopardy. So, rather then create an environment that protects the consumer (who is the customer) it is perhaps easier to redirect the attention towards either companies or practices that others fear might put them out of business.

I believe that our industry should work in conjunction with elected officials to establish regulations that will govern both primary and secondary sellers with the same set of rules to protect a buyers' right to do whatever they want with the tickets they have purchased. The primary and secondary markets have been bickering with each other for several decades and whenever one side is feeling any pressure from lawmakers, they attempt to redirect the attention towards the other side, with the consumer stuck in the middle. The lines between primary and secondary sellers have blurred and consumers now demand a more competitive landscape with increased services. We are all interacting with the fans; we hear similar customer complaints and each of us have to deal with ticket and credit card fraud issues.

More importantly, the current regulatory environment is heavily focused on the secondary market. As a result, there are times when the primary market sellers may give into the temptation of predatory or monopolistic practices and while recent changes in NY State Ticket Resale Laws have been able to address some of those by disallowing the primary market to restrict transferability or have them revoke someone's season tickets due to resale, there are still other practices that occasionally surface and place the public in a very vulnerable position. The primary sellers are not the only ones who might submit to the monopolistic temptations; there are secondary sellers that have utilized technology to circumvent Ticketmaster's security measures and in doing so, they have been able to buy large blocks of the premium seats. Here too, NY State Law has recently added a provision to outlaw this sort of practice but as technology evolves, we will all need to keep a close tab on these sorts of practices.

As we have seen with the financial markets, when there is one set of rules for consumers and small businesses and another less stringent set for larger institutions, consumers and small businesses are the folks that tend to be disproportionately affected. Although I have used the analogy of the market meltdown to illustrate a point, I am not comparing the impact of the ticket industry to the devastation that many have experienced as a result of the financial meltdown.

I believe that most companies in our industry are focused on creating a positive consumer experience. Perhaps some of them feel that by restricting transferability or revoking tickets that are resold, they are making prices more affordable. If so why impose price floors where sellers cannot sell their tickets below the face value printed on the ticket? Why allow companies to utilize technology to circumvent security measures, buy up all the premium seats and corner the market?

Although we are all in business to make a profit, the motivation to profit may occasionally tempt us to institute business practices where profits are generated by violating the rights of a consumer. That is why I am recommending that all the participants in our industry work together with government to establish a clear and transparent set of rules for both primary and secondary sellers alike, which will help us all to protect <u>your citizens</u> and <u>our customers</u>.

Sincerely,

Leor Zahavi Admit One, LLC Founder and CEO



For the Record

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> Kevin Marrow President New York! Music

October 28, 2011

Councilmember Daniel Garodnick Chair, Consumer Affairs Committee 250 Broadway Suite 1880 New York, NY 10007

Dear Councilmember Garodnick:

Live Nation Entertainment, Inc. ("Live Nation") is the world's leading live entertainment and eCommerce company, comprised of Live Nation, Ticketmaster, and Front Line Music Management. Live Nation Concerts produces over 20,000 shows annually for more than 2,000 artists globally, including U2, Shakira, and Jay-Z. Front Line is the world's top artist management company, representing more than 250 artists, including Neil Diamond, the Eagles, Jennifer Hudson, Jimmy Buffett, and Christina Aguilera.

On behalf of Live Nation, we write to express concern with Introduction No. 247 (the "Introduction"), sponsored by Councilmembers Comrie, Brewer, Koslowitz, Palma, Recchia and Williams. Although the Introduction intends to deter the resale of tickets by ticket brokers at exorbitant prices, this legislation would actually help brokers get a hold of tickets that they otherwise would not have access to and, as a result, the number of tickets sold well above the initial sale price will increase.

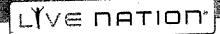
First, the Introduction mandates that 15% of the total number of tickets available for an event are set aside for sale at the place of entertainment's box office. Further, the Introduction allows consumers to buy four tickets per day. While we wholeheartedly agree that ticket brokers who break the rules by using computer software to purchase tickets have an unfair advantage over the average consumer, and we welcome the opportunity to partner with the New York City Council to fight this practice, we feel the proposed ticket limit and the mandatory minimum allocation of tickets to the box office is counterproductive to those efforts.

For each event, artists and promoters set a ticket limit, generally in the range of two to eight tickets per household, per event. If the proposed provision became law, and 15% of the total number of tickets had to be sold through the box office, consumers could buy four tickets per day, overriding the artists' and promoters' ticket limits. Brokers would then have access to an even greater number of tickets sanctioned by law. Moreover, such a law would obfuscate the need for computer software, as brokers would merely have to employ people to stand in line at the box office and purchase the maximum number of tickets.

Further, the bill would force tickets to be sold using an archaic ticketing method that is burdensome to both venues and fans alike. Artists, venues, and promoters choose to sell their tickets online for the convenience, security and equal access it provides to consumers. Currently, in New York, over 70% of people buy their concert tickets online. This is where the business has evolved to – we can't force the genie back into the bottle.

In New York, Live Nation employs more than 800 people, including full-time and seasonal workers, and we own or operate venues such as the Foxwoods Theater, the historic Irving Plaza and Gramercy Theatre in New York City. In addition, we also own or operate the NYCB Theatre at Westbury, Darien Lake Performing Arts Center, Nikon at Jones Beach Theater in Wantagh, and Saratoga Performing Arts Center in Saratoga Springs. Many box offices are not open on the days tickets first go on sale to the public (which typically occurs on the weekends); therefore, to ensure fair and equal access to the 15% of tickets

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> Kevin Morrow President New York Music

sold through the box office, the burden would fall on our venues and those of our clients to provide additional box office staff and security for those initial on-sale dates – something our company and our clients cannot currently afford to do.

In sum, while well-intentioned, the bill would do exactly what it is trying to prevent – help scalpers and brokers to get a hold of face-value tickets. The only people that lose in this scenario are the fans.

Currently in New York State, the options for artists who want to sell their tickets at face value, thus keeping them out of the hands of scalpers, are limited due to the restrictions placed on paperless ticketing in the current state law. We applaud the Council's desire to correct the unfair advantage that ticket resellers and brokers have in securing tickets. This is precisely why the venues, artists, and sports teams we serve often utilize ticketing methods such as paperless tickets and the decades-old ID check at Will Call in other states, which have been proven effective in reigning in the out-of-control resale market. These methods, while used primarily in cases of high-demand events, can ensure a purchased ticket cannot be resold above the face value set by the artist, promoter, or team.

On behalf of the New York City venues we own or operate, the artists that we manage, and the shows that we ticket, we know from years of experience that without the fans, our business could not survive. We don't take that for granted.

We thank the Council for its attention to this matter, and look forward to continuing to work with the Council and the State legislature on these very important issues.

Sincerely,

Kevin Morrow

President

Live Nation New York

CC:

Councilmember Leroy Comrie

250 Broadway

Suite 1865

New York, NY 10007





City Council Consumer Affairs Committee Hearing: Int. No. 247 NYC & Company Testimony October 28, 2011

As you know, New York City is renowned the world over for its mix of people and cultures and its spectacular array of unique and exciting things to see, do and experience. Even the current global financial climate has not dampened the enthusiasm and demand for travel to the five boroughs. In fact, a record 48.8 million visitors came to the City in 2010 and we are on pace for another record-breaking year for 2011. One major draw of the City is the wide-range of events that take place in the City on a daily basis—particularly large-scale events that have the interest of national and international audiences.

Of course, these events are not just for visitors but also for our 8.4 million residents. NYC & Company, in fact, focuses portions of our programming and website to encourage New Yorkers to actively participate and immerse themselves in the many City activities available to them. To this end, we support the spirit of Intro 247. We want both our residents and our visitors to enjoy these offerings at a reasonable price. However, we are concerned the bill will not significantly address this issue; rather we fear the bill will impose unfair restrictions on New York City businesses and venues and not solve the illegal scalping problem.

The legislation immediately raises several questions regarding restraint on trade. It is the right of venues such as Madison Square Garden, Radio City Music Hall, the Metropolitan Opera, Citi Field, Yankee Stadium and others to make a profit at fair market value on the major events they are able to procure and produce. This legislation runs the risk of impairing their ability to maximize attendance by requiring them to limit where, when and how they can sell tickets. Furthermore, this limitation could prove an impediment for these venues as they recruit events to the City—competing venues in other cities could take advantage of this restriction and use it as a selling point to large-scale shows, performances or games.

Beyond our philosophical concerns about the bill and its potential limitation on trade, there are also implementation concerns. Will venues be compensated or have means to recoup lost profits if they cannot sell out the 15% allotment to walk-ups? Will there be a requirement to make available a certain amount for each ticket price point? Will there be security support for venues when lines build-up due to last-minute walk-up customers? How will the bill curb third-party operators from hiring people to stand inline to buy these tickets in bulk? Will this be a deterrent for consumers visiting the City for events if they cannot guarantee themselves seating? How do we handle the huge consumer disappointment as online and telecharge tickets sell-out even faster?

Finally, it is also the protected right of legal third-party operators to re-sell tickets—if demand allows them to raise price it is really not the role of government to restrict them under free market principles.

We believe overall Intro 247 presents more challenges than solutions. We sincerely appreciate the Committee's role in protecting consumer interests and we want to make New York City events affordable and available to everyone. However, we do not believe Intro 247 will help curb ticket prices or lessen illegal price gouging in the market. In our view, the real issue is illegal black-market "scalping"—a dangerous condition for consumers that costs the City millions in tax revenue. Whether through a consumer awareness campaign or better collaboration with the venues, NYC & Company would welcome the opportunity to help the Council address this issue.

Thank you for the opportunity to testify. Although we oppose Intro 247, we at NYC & Company share many of the same goals and interests with the Council. We look forward to working with the Council to find ways to keep events affordable and conveniently available to all New Yorkers and visitors.

Testimony of

John D. Breyault

Vice President of Public Policy, Telecommunications and Fraud National Consumers League

Before the New York City Council
Committee on Consumer Affairs

October 28. 2011

Good morning Mr. Chairman and members of the committee. My name is John Breyault and I am the Vice President of Public Policy, Telecommunications and Fraud for the National Consumers League. I appreciate this opportunity to appear before the committee to provide the consumer point of view on live event industry business practices.

Founded in 1899 here in New York City, NCL is the nation's oldest consumer advocacy organization. Our non-profit mission is to promote social and economic justice on behalf of consumers and workers in the United States and abroad.

NCL is a strong supporter of pro-consumer ticketing protections at the state and national levels. In 2010, we organized a broad coalition of public interest groups, businesses and more than 10,000 consumers in opposition to the Ticketmaster-Live Nation merger. We continue to pursue consumer-friendly policies in the live event industry today.

My testimony focuses on three significant problems consumers experience when buying live event tickets:

- 1. Consumers Are Not Informed, and as a Result Are Misled by Artists, Event Producers and Ticketing Agencies
- 2. Ticket-Buying "Bot" Software Harms Consumers, and Law Enforcement Should Help Eradicate Its Use
- 3. Restrictive Ticketing Eliminates Competition and Denies Consumer Choice

First, transparency. Purchasing an event ticket is frequently a confusing and frustrating experience. Too often, consumers are at the mercy of ticketers, promoters and artist managers who control the supply of tickets and profit handsomely from ticket sales that occur outside public sales channels – to VIPs, fan clubs, ticket brokers and elite credit card rewards club members.

The number of tickets pre-sold to special customers can be quite significant. At a 2009 Taylor Swift show in Tennessee, only 1,600 of 13,300 tickets were made available for general public sale. Similar incidents have occurred at Keith Urban and Miley Cyrus shows. More recently Katy Perry was found to have included in her touring contract a provision that permits her to withhold as many tickets as she

¹ Branch, Alfred. "Ticketmaster, Taylor Swift and Keith Urban ticket holdbacks exposed," *TicketNews*. November 11, 2009. Available at: http://www.ticketnews.com/news/Ticketmaster-Taylor-Swift-and-Keith-Urban-ticket-holdbacks-exposed11091198

³ Crockford, Petrina. "Ticketmaster goes 'paperless," *TicketNews*. May 16, 2008. Available online: http://www.ticketnews.com/news/Ticketmaster-goes-paperless58167813

chooses from public sale, so that she can sell them directly to consumers on resale markets for inflated prices.⁴

Consumers are hurt when they are misinformed and misled – when they believe that many thousands of seats are going on sale and only several hundred seats actually go on sale. Consumers unable to purchase tickets for a performance may erroneously believe that high demand or evil scalpers led to the quick sellout, but in reality the quote-unquote "sellout" was just as likely to have been caused by artificially low supply engineered by the artist, promoter and venue. Increasing transparency would reduce this information gap and give consumers a fighting chance in the ticket marketplace. Several states have considered legislation that would do just this. For example, Massachusetts recently held a hearing on a bill that will require venues and ticket-sellers to publish in advance of an event the percentage and number of tickets made available to the general public.

Second, ticket-buying "bot" software is the bane of consumers, artists and ticketing companies alike. These programs bombard online box offices with thousands of simultaneous purchase requests, and thereby jump ahead of legitimate consumers who are diligently waiting their turn to purchase tickets. We submit that these "bots" violate one of consumers' basic rights: the right to fair access to events.

For example, in one case, a Nevada-based company known as Wiseguy Ticketing used "bot" programs to purchase more than 1.5 million tickets between 2002 and 2008 for shows by artists like Bruce Springsteen, Miley Cyrus, Kenny Chesney and Bon Jovi. Wiseguy Ticketing then resold these tickets at a significant profit to ticket brokers who in turn marked them up and resold them yet again to consumers. We submit that the Wiseguys are just the tip of the iceberg when it comes to "bots."

ThatRadiohead felt the need to embrace the extreme tactic of requiring all tickets to be picked up at the will-call window for their September shows at the Roseland Ballroom is just the latest proof that more should be done to control this problem. NCL believes that the consumer harm from ticket-buying "bots" must be fought not only through technological means but also legally through the passage of strong anti-bot legislation and the vigorous enforcement of laws already on the books, such as the one here in New York. Perhaps the Committee can ask Ticketmaster and venues to deliver empirical evidence of bot usage to the Committee, so that you can review this documentation and turn it over to law enforcement.

Finally, with regard to ticket transferability, we submit that consumers have generally benefited from the growth of the online secondary market. Unfortunately,

⁴ "Drivers Beware: Don't Star at Katy Perry," The Smoking Gun. May 19, 2011. Online: http://www.thesmokinggun.com/documents/celebrity/katy-perry-concert-rider-138490
⁵ Flaherty, Mary Pat. "Wiseguys face the music for trying to play it smart in online ticketing," Washington Post. April 9, 2010. Online: http://www.washingtonpost.com/wp-dyn/content/article/2010/04/08/AR2010040805594.html

Ticketmaster has seized on the problem of ticket "bots" to promote increasingly restrictive ticketing practices that are in reality thinly-veiled attempts to control one of the last parts of the live event industry that it does not dominate.

Historically, consumers seeking access to sold-out events dealt with shady scalpers who could easily defraud them. Today, consumers increasingly rely on online ticket marketplaces that feature transparent pricing, quality customer service and strong refund policies. And prices are often surprisingly reasonable: a 2007 Forrester Research survey concluded that 23% of consumers were paying face value for resale tickets, and 17% were paying less than face value.⁶ Presumably the remaining 60% who paid a premium did so willingly, and hopefully in a safe, secure environment.

Instead of embracing a competitive resale market that benefits consumers, primary ticketers, event producers, sports teams and venue owners are seeking to monopolize it and eliminate consumers' choice of where to buy and sell tickets. Onerous ticketing rules and anti-consumer restrictions can be used to prohibit ticket transfers and resale, or to force consumers to a single resale market where there is no competition, and where fair market prices are often constrained.

Such restrictions fly in the face of consumer expectations. According to a Wakefield Research survey, 95% of consumers believe they own tickets that they have purchased, including the right to choose whether to sell or transfer their tickets to friends, associates, employees, customers, or other fans.⁷

In conclusion, given the importance of the live event industry to New Yorkers, it is no surprise to us that city and the state have historically been at the forefront of protecting the ticket-buying public. We applaud your leadership and urge you to continue to the fight to protect consumers in this marketplace.

On behalf of the National Consumers League and New York consumers, I want to thank you for the opportunity to discuss this important issue and I look forward to answering your questions.

⁶ Sucharita Mulpuru and Peter Hult. <u>The Future of Online Secondary Ticketing: A Forecast of US Online Secondary Ticket Sales, 2007 to 2010</u>, Forrester Research.

⁷ Waddell, Ray. "Billboard.biz Q&A: President of StubHub, GM of eBay Tickets, Chris Tsakalkis," *Billboard.biz.* March 11, 2010. Online:

http://www.billboard.biz/bbbiz/content_display/industry/news/e3i8c42c2e07eaa0e326980f51f35 019818

Testimony for New York City Council Committee on Consumer Affairs Dustin Brighton Director, Government Affairs eBay Inc./StubHub October 28, 2011

Mr. Chairman, Members of the Committee, my name is Dustin Brighton, Director of Government Relations for eBay and StubHub. eBay is the World's Online Marketplace™, with over 99 million active users worldwide who choose from a variety of categories for goods.

Tickets is one such category – and constitutes one of the most popular and dynamic marketplaces on eBay. In 2007, eBay expanded its tickets business by buying Stubhub.com, one of the largest tickets marketplaces that offers industry-leading customer protections. People from all across the country visit eBay and Stubhub to buy and sell tickets that are in high demand. eBay and Stubhub's open and transparent marketplaces, where buyers can see all available inventory, ensure that buyers have the widest choices and sellers get the best price. We are not a ticket broker as we do not position inventory on the open market. We believe that the majority of tickets on eBay and StubHub were sold at or below face value, and our research shows that eBay and StubHub ticket sellers in large part are individuals who end up with more tickets than they can use and want to try to recoup at least some of their costs.

The overwhelming majority of eBay and StubHub ticket transactions occur without any problems, the seller receiving payment and the buyer receiving the tickets he purchased in a timely fashion. For those very few transactions that are not quite so seamless, eBay and StubHub have several effective consumer protection programs in place. For example, if a citizen of the New York City buys a ticket on StubHub and shows up at the venue with the tickets for the wrong date, StubHub deploys a process which first tries to get the buyer into the event, and if that's not successful, guarantees the buyer 100% of his or her money back.

Fans Rights Under New York Law Should be Protected

Recognizing the significant consumer benefits of open and competitive markets for the resale of secondary tickets, the state of New York in 2010 passed what is considered the most competition- and consumer-friendly resale statute in the nation. The law seeks to protect consumers by ensuring that they can purchase a ticket in a transferable form. Specifically, it mandates that at the time of purchase of the ticket on the primary market, the customer must be given an option to buy a ticket that can be transferred or resold on *any* resale marketplace, not just the marketplaces offered by the operator of the venue or the venue's primary ticketing company. Unfortunately, a trend has been developing which circumvents the spirit of this consumer friendly statute. The observed trend is that some acts and venues are forcing consumers to pick-up tickets at the "will-call" window the day of the show, effectively preventing them from reselling or transferring tickets that they can no longer use. With "will call only" distribution, access

to an event is tied to one's ID and the only method to gain entry to an event is to pick up your tickets at a ticketing location on the date of the event while using your government issued I.D. In that manner the issuer is able to control or eliminate the ability of the purchaser to resell that ticket on the open secondary market. There have already been multiple concerts in the New York City area that have used "will call only" distribution in the past year. When the secondary market is eliminated consumer benefits such as choice and competition are eradicated as well.

Transparency in Ticket Distribution Benefits Consumers

In addition, eBay, StubHub, and millions of consumers in this country believe there should be disclosure with regard to the number of tickets that are available for an event and where the tickets for that event are actually being distributed. An informed consumer is an empowered consumer. An open and transparent primary tickets market would allow consumers to make educated decisions about when to purchase tickets and for how much. Consumers wouldn't be shocked when tickets sell-out in minutes if they understood that only a small fraction of tickets were available to the general public after "holdbacks" and insider sales, resulting in huge demand on secondary markets.

Barry Diller, the former Chairman of Live Nation Entertainment, seems to think it a good idea based upon a quote from a USA Today article published in April of 2009:

"The problem with the ticketing business is: It's the essence of non-transparency. And the reason is that everybody has an axe to grind. Artists do not want consumers to know that they have a take of different parts of the ticketing package. People who own venues want to put in service charges. So I think there's going to be legislation which is going to force transparency, and I think that would be great for everybody."

While StubHub and eBay also support transparency, the transparency requirements should not be imposed on neutral marketplaces like StubHub and eBay that don't have access to primary ticket distribution data that is requested such as that in Section 20-811(3). StubHub and eBay have no knowledge, for example, of what type and number of tickets are made available at the "on sale" date, and primary ticketing companies and venues are unlikely to provide us with that data. It would be very difficult for online exchanges unaffiliated with primary ticketing companies to comply with this mandate. We look forward to working further on these issues.

On behalf of the over 3 million users located in New York we appreciate the opportunity to have a voice here today.

Thank You.



Testimony of Jon Potter, President, Fan Freedom Project Before the Committee on Consumer Affairs New York City Council

October 28, 2011

Chairman Garodnick and Members of the Committee:

Thank you for permitting me to speak today on behalf of the Fan Freedom Project, a consumer advocacy organization promoting the interests of live event fans, with more than 40,000 supporters nationwide and more than 3,000 in New York.

If you visit our website FanFreedom.org, you will see the real stories of scores of consumers who need your help because they are tired of being whipsawed by Ticketmaster and the ticketing industry:

- The businessman who received four concert tickets as a gift, and learned the day before the concert that he would not get in unless the gift-giver (who did not plan to attend) met him at the event with the purchasing credit card and photo ID. Dozens of irate people on line at the show did not know the proof-ofpurchase rules, and after arguing unsuccessfully with the venue staff they eventually gave up. They did not attend the show – and they lost all their money.
- The man who bought two last-row tickets to a concert, then bought two good seats when they were released for sale later. But he wasn't allowed to sell his last row seats or give them away, so he lost \$150 and two seats at the concert went empty.
- On the FanFreedom.org website, you will find video shot earlier this month
 (http://vimeo.com/30015226) of a woman who gave two tickets to her nephew
 in New York City, only to learn that she had to drive seven hours from Virginia to
 show her credit card and ID so he could attend the show. She offered to send
 her credit card and her ID and even a notarized affidavit authorizing her nephew,
 but Ticketmaster said that would not be good enough. So she drove seven
 hours to New York so her nephew could attend the concert with the tickets she
 bought for him as a gift.

None of these people did anything wrong. They did nothing that justified Ticketmaster or other event producers treating them like criminals. They are fans, they are consumers, and they need your help.



During today's hearing you will hear about several consumer ticketing issues:

- Should event producers and ticketing agencies provide basic consumer information to your citizens, just as New York requires of car dealers and other retailers?
- Don't consumers who purchase tickets own those tickets, including the right to re-sell or gift those tickets to friends, family or charity if life's challenges make it impossible to attend an event?
- Should anti-consumer technology developed by Ticketmaster be allowed to undermine consumers' rights to own and control the tickets they purchase, by locking tickets to a purchaser's credit card, and restricting consumers' ability to share or re-sell the tickets that they purchased unless Ticketmaster or the event producer approves?
- Can we trust Ticketmaster and others who claim that restrictive ticketing
 practices that limit all fans' rights are the best way to "protect fans" from a few
 bad apples, or is that just a public relations justification for extending
 Ticketmaster's already immense control of the ticketing marketplace while
 ignoring more direct opportunities to promote consumers' interests and promote
 fair access to face-value tickets?

At the heart of these questions are New York sports and entertainment fans, whose hard-earned money pays for millions of tickets annually, and whose basic consumer rights and property rights are in your hands.

Many in New York have signed our Fans Bill of Rights, which includes four principles.

Our first "fans' right" is simple: Fans' tickets belong to fans. We buy them; we own them. In a recent poll commissioned by the Fan Freedom Project, 90 percent of 1,000 ticket users surveyed across the nation said they should have the right to resell or give away tickets that they purchase to anyone they choose – friends, family or other fans.

Which brings me to our second "fans' right." Once we purchase a ticket, we can share it or sell it in any way we choose and at any price we choose. This choice is being threatened by the introduction of so-called "paperless tickets," which we call "restrictive paperless tickets" because they are a significant inconvenience and an anti-consumer power-play. Left unchecked, restrictive paperless tickets threaten to eliminate consumer choice and undermine the competitive, innovative and consumer-protected



ticket resale market that has created so many new opportunities for fans, especially since the dawn of the Internet era.

Ticketmaster's paperless tickets (and the related scheme of will-call-only events) are tied to the purchaser's credit card and photo ID, and without the purchasing credit card and ID one cannot enter the event. If you buy your kids concert tickets you must stand on line with them to get into the show — even in January. If you are meeting friends for a game you must all enter together, so if one person is stuck at work or in traffic everyone waits outside — even in January. And if you want to give tickets as a gift, Ticketmaster's website thoughtfully suggests you ask the "giftee" for his or her credit card number to purchase the tickets. In what other circumstance do you need a gift recipient's credit card number in order to give a gift?

This issue came to life a few weeks ago in New York City, when attendees of the Radiohead shows at Roseland Ballroom were required to present their purchasing credit card and a photo ID in order to gain admission. As I mentioned earlier, one woman featured in a video (http://vimeo.com/30015226) on our website lives in Virginia, and she bought tickets for her nephew to attend the show in New York. She called Ticketmaster and offered to FedEx to her nephew her driver's license, her purchasing credit card and a notarized affidavit attesting to their authenticity. But Ticketmaster said that's not good enough, so she drove seven hours to New York City to escort her nephew into the concert. That's just ridiculous and unfair, and we hope the Council will take action to protect fans from this happening again.

By design, restrictive paperless tickets are difficult to resell. When Ticketmaster and its partners do allow consumers to resell paperless tickets, we are required to sell only on Ticketmaster-owned affiliates and our pricing choices are restricted. In a stunning exercise of anti-consumer power, it is often the case that consumers are prohibited from offering tickets below face value. We can't sell tickets at a discounted price? Which consumers does that benefit?

In Cleveland, last year's Cavaliers season-ticket holders were required to pay for the coming year's season tickets in order to get playoff tickets — when LeBron James was still on the team and everyone had high hopes he would be back. When LeBron left the Cavaliers the value of those season tickets plummeted. But when trying to sell any of their tickets, the fans who bought the restrictive paperless tickets were only permitted to post sale prices as expensive or more expensive than the inflated-value minimum set by the team. Imagine being told that you must re-sell your car at the original dealer's lot and that the dealer will set the price — and that price bears no connection to the car's true market value, especially if the dealer has unsold "new" inventory that has not found a buyer. Imagine that the developer of your home was the only one you could use as your resale agent when you want to move, and that the developer could



unilaterally determine the sales price or forbid you from gifting the home to a family member. Would you stand for that?

If adopted by local sports teams and venues, paperless tickets will threaten the healthy and energetic competition between local brokers, StubHub and TicketsNow (the resale market owned by Ticketmaster) that has created new choices and opportunities for fans. When competition is eliminated consumers always lose.

Our third "fans' right" goes to honesty and integrity in the market: Fans have the right to know how many tickets are actually available to the public, and how many are presold to VIPs, fan clubs and other special customers.

Just as car dealers are required tell consumers how many cars they are <u>actually</u> selling at advertised prices, so should event promoters tell us how many tickets they are <u>actually</u> making available to the public. It has become much too common for concert artists and promoters to pre-sell thousands of tickets to fan clubs and corporate sponsors, so when sellouts happen in five minutes we are all left wondering how so many tickets sold so quickly. Many promoters and artists also withhold tickets from being sold at the box office at face value, and instead secretly sell the best seats on resale markets at a steep markup. This summer, Katy Perry was the subject of media stories when it was learned that her tour contract allows her to sell her own concert tickets on resale markets — scalping as many tickets as she wants, at whatever price she wants, to thousands of her fans.

Our consumer survey found that two-thirds of ticket users said that artists, venues and event promoters should be required to disclose how many event tickets are made available to the general public for purchase. And seventy-two percent of fans disapprove of original ticket sellers secretly selling tickets through resale markets for higher than the face value.

Our fourth fans' right is a point of public agreement between the Fan Freedom Project and Ticketmaster, and with all sports teams and concert producers: We believe that fans have the right to fair access to tickets, without unfair competition from scalpers using illicit software to jump ahead of the line and purchase all the tickets. Ticket-buying software bots offend all fans, and we encourage the Committee to promote aggressive enforcement of New York's anti-bot statute.

Additionally, we hope you will also ask Ticketmaster, event producers and sports teams what actions they are actually taking to limit the use of bots. Have Ticketmaster and producers counter-attacked against online thieves as aggressively as New York's music industry and the motion picture industry did when they were besieged by Internet



piracy? Or are scalpers and bots just a convenient excuse for cornering the resale market and restricting fans' rights?

In closing, I thank the Committee for holding this hearing and for inviting me to appear before you. Your support for consumer ticketing rights will bring joy to parents who can re-sell their tickets when babysitters cancel or the kids get sick, to all New Yorkers whose plans change at the last minute for a thousand different reasons, to season-ticket holders who seek to distribute their tickets as they choose, and to innumerable consumers who get great deals on resale markets because consumer rights, property rights, and competition really can work together to benefit New Yorkers.

Thank you.

Statement of
Lawrence J. White
before the
Committee on Consumer Affairs
The New York City Council
October 28, 2011

Chairman Garodnick and Members of the Committee:

My name is Lawrence J. White. I am a Professor of Economics at the NYU Stern School of Business. I am also on the Advisory Board of the American Antitrust Institute, which is a non-profit consumer advocacy group that is devoted to promoting marketplace competition and the strong enforcement of competition laws. I am appearing today on my own behalf, without compensation. I have attached a brief biographical summary at the end of this statement.

My testimony today primarily concerns the issue of "paperless ticketing" for sports events, concerts, and similar venues. Paperless ticketing represents a relatively new technological innovation for ticketing. It may carry some advantages for ticket buyers. But it also clearly carries inconveniences. And it also carries substantial risks of inhibiting beneficial competition in the secondary markets that have developed for tickets.

Consequently, the approach that is currently embodied in New York State's Arts and Cultural Affairs Law, Section 25.30 – essentially, to allow venues (or their ticketing agents) to sell non-transferable paperless tickets but only if buyers have the option of a transferable alternative – appears to be a sensible approach and should be continued, unless significant new developments arise in technology or other circumstances that surround ticket sales.

This is an area that is definitely worthy of continued monitoring at all levels of government – city, state, and federal – to ensure that competitive issues and consumer protection issues are adequately addressed. On the one hand, policy should not be discouraging worthwhile

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innovations in the ticketing area; but on the other hand, there are important competition and consumer protection issues that are potentially at stake.

The remainder of my statement will expand on these ideas.

Background on ticket sales

Tickets nowadays come in three basic versions:

- -- The traditional paper ticket: These are still sold at box offices and available through telephone purchases. The paper (or really cardboard) ticket nowadays usually has a unique barcode, which is read by scanners at the entry to the venue.
- -- The e-ticket: This is an innovation of the last decade or so, whereby the buyer orders tickets through the website of the venue or its agent and is sent by e-mail a pdf file that embodies the ticket (often with the pattern of a paper ticket) and the unique barcode. The buyer prints the pdf file and brings it to the venue, where it is read by scanners at the entry to the venue. A variant on the e-ticket is the "mobile ticket", whereby the venue or its agent sends a unique barcode to the buyer's cellphone, which is scanned at the entry to the venue.
- -- Paperless tickets: This is the most recent innovation. For this format, there is no paper or e-mail ticket that is sent to the buyer. Instead the venue or its agent relies on the credit card or other identification of the buyer at the entrance to the venue, at which time (ironically) a paper seat locator slip is printed to guide the buyer to her seat.

Secondary markets for tickets

Secondary markets for tickets have existed for decades – perhaps for centuries – in the form of "scalpers", who buy tickets from box offices (or nowadays, online) or from first-instance buyers and resell the tickets, often shortly before the event at a physical location that is near to the event.

An important innovation of the past decade or so has been the development of more regularized secondary markets that occur online: through ticket brokers, ticket exchanges (such as StubHub and TicketsNow), localized "classified ads" listings (such as craigslist), or auction sites (such as eBay). By facilitating the secondary sales of tickets, these sites provide extra flexibility to a first-instance buyer (of paper tickets or e-tickets) whose plans have changed or who has bought a multi-event ticket package (e.g., season tickets) but cannot use all of the tickets in the package. The smoothly working secondary market, of course, also benefits the later-instance purchaser. We should be mindful of the substantial percentage of ticket resales that are priced at or below face-value, with professional sports tickets often sold at half-price or less by season-ticket holders who cannot possibly attend 41 hockey games or 81 baseball games.

However, the flexibility of easy-to-use transferability may also encourage speculation by buyers – including, of course, scalpers – who may hope to profit from an increase in the subsequent price of tickets to a "hot" event. This problem of speculation (and the role of scalpers) may be exacerbated by the desire of some artists to reward loyal fans by underpricing (relative to resale market value) their tickets to first-instance buyers – but also by the difficulty of the selling process to distinguish between loyal fans who have time to try to purchase at the moment tickets go on sale and intend to attend the event, loyal fans who are schedule-challenged and therefore prefer to buy on the resale market, and other ticket buyers, including scalpers and other speculators.

This relatively unrestricted resale market can readily involve paper tickets or e-tickets.

But paperless tickets do not readily fit this process, since the ticket is (at least initially) linked to the first-instance buyer through the checking of the buyer's credit card or other identification at the entrance to the venue.

In practice, paperless tickets appear to come in two varieties: a) versions where the venue or its agent forbids all secondary transfers; or b) versions where the venue or its agent allows secondary transfers, but only if they are conducted through the original seller's reselling services. This second version clearly does allow some transferability; but it is also clear that this limited transferability is not the same as that of the relatively unrestricted resale market.

With this background, we can now address the pluses and the minuses of paperless tickets for consumers.

The advantages of paperless tickets

The advantages of paperless tickets appear to be twofold: First, they reduce the inconvenience of lost tickets (or the lost paper printouts of e-tickets) for first-instance buyers.

Second, they increase the ability of the venue or its agent to deal with the problem of mass purchases by scalpers (nowadays, through online bots) of underpriced tickets, thereby increasing the supply of these tickets to loyal fans. The wholly restrictive version of the paperless tickets clearly makes resale impossible and thereby eliminates the scalpers. The limited resale version similarly gives the venue a means of controlling scalpers' mass speculation, since the channeling of secondary transactions through the venue's reselling service would allow the venue to spot and restrict unusually large numbers of transactions where the seller was the same entity.

The disadvantages of paperless tickets

The wholly restrictive version of paperless tickets clearly reduces a first-instance buyer's flexibility in the subsequent disposal of a ticket in the event that the buyer's plans change or the buyer cannot use all of the tickets that have been bought as part of a series. This restriction would also apply to a first-instance buyer who wishes just to give away a ticket to a friend or to

charity. This reduction in subsequent flexibility effectively degrades the product and reduces the value of the ticket to the first-instance buyer.

The limited resale version introduces some flexibility to the process of subsequent disposal by the first-instance buyer. But how much flexibility and at what cost to the first-instance buyer is entirely up to the benevolence of the venue or its ticketing agent. It seems unlikely that even the most benevolent venue could replicate the flexibility, innovation, and low cost that the current competitive resale market provides.

If the ticketing agent for the venue is a dominant entity in the primary ticket sales area — if, as appears to be the case for Ticketmaster, the same agent represents the majority of venues in an area or even nationwide — then the restricted resale version of paperless tickets may be a means for that dominant entity to restrict competition in the secondary market more generally, especially if the secondary ticket exchanges and other platforms need scale to remain viable as secondary market participants. Reduced competition would have all of the expected effects: higher processing fees and other higher costs for first-instance ticket buyers that wish to transact in secondary markets and less competitive pressure for beneficial innovation.

An assessment of the pluses and minuses of paperless tickets

The advantages to paperless tickets do not appear to be great. It is unlikely that the lost ticket problem is especially serious or widespread, and certainly in those instances the venue or its ticketing agent can utilize the consumer's purchasing credit card and photo ID as proof of purchase before issuing replacement tickets.

As for the issue of how a venue deals with scalpers' bots when the venue wishes to sell underpriced tickets to loyal fans, there appear to be alternative means – such as technologically inhibiting bot users, working with enforcement authorities to track bot users and promote law

enforcement activity (as the music and music industry have done to deter online piracy of their products), and restricting the number of tickets that any entity or related entities can purchase – that would carry less of the potential downsides of paperless tickets.

Venues and their agents that want to reward loyal fans can surely continue to develop less restrictive technological means of foiling scalpers and other speculators. Additionally, venues and ticket agencies can easily enable system compatibility with legitimate resellers (e.g., those who are licensed and have high-quality consumer protection policies) to ensure that there remains a competitive – and consumer-protected – secondary market.

At the same time, there do appear to be serious downsides to paperless tickets. The reduced flexibility of subsequent disposal for first-instance buyers is clearly one such downside. The reduced value of such tickets to first-instance buyers should be reflected in their reduced willingness to pay for such tickets and thus lower prices that the venue could charge. But, at a minimum, adequate information to first-instance buyers as to the limitations of subsequent disposal must be present.

At least as important is the threat to competition in the secondary market that could arise from the use of paperless tickets, and their inherent restrictions, by a dominant entity in the primary ticket sales area, such as Ticketmaster.

Conclusion

The process of selling tickets to sports events, concerts, and similar venues is one of continuing innovation. Paperless ticketing appears to be the latest of such innovations.

Paperless tickets appear to carry both pluses and minuses for first-instance ticket buyers. However, the minuses do appear to outweigh the pluses. Consequently, the approach of New York State's Arts and Cultural Affairs Law, Section 25.30 – which allows paperless tickets but

also requires that first-instance buyers have less restrictive alternatives available to them – appears to be a sensible approach.

This is definitely an area that is worthy of continued monitoring. Although policy should not be discouraging worthwhile innovation in this area, there nevertheless are important competition and consumer protection issues that are potentially at stake.



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BIOGRAPHICAL SUMMARY

Lawrence J. White

Lawrence J. White is the Robert Kavesh Professor of Economics at New York University's Stern School of Business and Deputy Chair of the Economics Department at Stern. During 1986-1989 he was on leave to serve as Board Member, Federal Home Loan Bank Board, and during 1982-1983 he was on leave to serve as Director of the Economic Policy Office, Antitrust Division, U.S. Department of Justice. He is the General Editor of <u>The Review of Industrial Organization</u> and formerly Secretary-Treasurer of the Western Economic Association International.

Prof. White received the B.A. from Harvard University (1964), the M.Sc. from the London School of Economics (1965), and the Ph.D. from Harvard University (1969). He is the author of The Automobile Industry Since 1945 (1971); Industrial Concentration and Economic Power in Pakistan (1974); Reforming Regulation: Processes and Problems (1981); The Regulation of Air Pollutant Emissions from Motor Vehicles (1982); The Public Library in the 1980s: The Problems of Choice (1983); International Trade in Ocean Shipping Services: The U.S. and the World (1988); The S&L Debacle: Public Policy Lessons for Bank and Thrift Regulation (1991); and articles in leading economics and law journals. He is the co-author of Guaranteed to Fail: Fannie Mae, Freddie Mac, and the Debacle of Mortgage Finance, Princeton University Press, 2011 forthcoming (with V.V. Acharya, M. Richardson, and S. Van Nieuwerburgh).

He is editor or coeditor of eleven volumes: <u>Deregulation of the Banking and Securities Industries</u> (1979); <u>Mergers and Acquisitions: Current Problems in Perspective</u> (1982); <u>Technology and the Regulation of Financial Markets: Securities, Futures, and Banking</u> (1986); <u>Private Antitrust Litigation: New Evidence, New Learning</u> (1988); <u>The Antitrust Revolution</u> (1989); <u>Bank Management and Regulation</u> (1992); <u>Structural Change in Banking</u> (1993); <u>The Antitrust Revolution: Economics, Competition, and Policy, 3rd edn.</u> (1999); <u>The Antitrust Revolution: Economics, Competition, and Policy, 3rd edn.</u> (1999); <u>The Antitrust Revolution: Economics, Competition, and Policy, 5th edn.</u> (2009). He was the North American Editor of <u>The Journal of Industrial Economics</u>, 1984-1987 and 1990-1995.

Prof. White served on the Senior Staff of the President's Council of Economic Advisers during 1978-1979, and he was Chairman of the Stern School's Department of Economics, 1990-1995.

Prof. White's webpage is found at http://pages.stern.nyu.edu/~lwhite/. His e-mail address is Lwhite@stern.nyu.edu/.

Testimony of Noah Budnick 40 Clarkson Avenue Brooklyn, NY

New York City Council Consumer Affairs Committee Oversight hearing on: Ticket Sales in New York City – Setting the "Stage" for Increased Consumer Protections

October 28, 2011

Good morning Chairman Garodnick and committee members. My name is Noah Budnick. I'm a Brooklynite, avid music fan and concert-goer, when I can make it. I like to support local bands when possible, and I'm proud to support local music venues around the five boroughs, which I imagine fuel a thriving economy, supporting 1,000s of jobs. Of course, I can only do this if it's convenient to buy concert tickets.

So, let me tell you a quick story about how restrictive ticketing took this joy away from me, plus \$50, plus the enjoyment of other New Yorkers and money from a local business:

I received an e-mail from the band Yo La Tengo on April 1, 2011 about their May 10 and 11, 2011 concerts at the Bell House in Brooklyn (attached). I was at work, about to go into a meeting, so I immediately e-mailed my wife, Amanda, and asked her to buy two tickets to both shows. She bought four tickets through TicketWeb.com: two for the show on Tuesday and two for Wednesday (receipt attached). The total cost was \$113.50—that's \$25 per ticket and \$13.50 in "Service Fee" charges.

I was really looking forward to the shows!

On May 3, I found out that I couldn't attend the May 11 concert and immediately contacted friends who might be interested in the two tickets for that the show. \$50 is no small amount of money, so I asked my friends if they could pay me back at face value.

By May 10, a few friends had expressed interest. Since TicketWeb did not mail me paper tickets or email me printable tickets, we had not made firm plans for them to buy the extra tickets off me.

I went to the show that evening with a friend, and we went to the will call window to pick-up the tickets. There, I learned that there were no paper tickets for either show. I was asked to present my credit card and an ID to gain admission. Fortunately, my wife and I have a joint credit card, so the number on my card matched the card she used to buy the tickets. Imagine if it didn't! The ticket purchase was crossed off the list, and the person at the will call window stamped my wrist and my friend's wrist and said we could go in.

I asked the person at the will call window if I could grab the tickets for tomorrow night's concert. They said that there were no paper tickers and that I would have to go through the same procedure to get in tomorrow night. Unfortunately, since I wasn't able to go to the next night's show, there was no way for anyone to gain admittance, and I was out \$50 plus the difference in the "Service Fee" for the two unused tickets.

Not only was I out 50-plus dollars, but two less people were able to enjoy Yo La Tengo's concert on May 11 at the Bell House in Gowanus, Brooklyn. This hurt me. It hurt the fans of Yo La Tengo, who weren't able to enjoy the show, and it hurt the band, tearing them away from their audience. It also hurt the Bell House and the New Yorkers who work there because two fewer people experienced the venue and spent money there during the concert.

The restrictive ticketing practice used at these concerts hurts fans, bands and local venues and their employees. I urge the City Council to support consumer rights and keep restrictive ticketing out of New York City. Thank you.

----Original Message-----

From: yo la tengo

Sender: mailinglistbouncer@dreamhost.com

To: N oah

ReplyTo: yo la tengo

Sent: Apr 1, 2011 11:27 AM

Subject: big wheel keep on turning

Hi everyone,

A quick note just to point you towards http://yolatengo.com/schedule.html where you'll find a bunch of just-announced new shows. We're shlepping our spinning wheel across various bodies of water: to the UK for six dates, and to Brooklyn for two. All this and our first show in Iowa City in seven years. Hope to see you soon.

Ira

This email should only be sent to those who have asked to receive it.

To unsubscribe, return to http://www.yolatengo.com/contact.html, enter your information, and click the "unsubscribe" button.

From:

"Amanda B Hickman"

"Noah Budnick"

Subject: Date: To:

Fwd: Order Confirmation Fri, April 1, 2011 1:49 pm

----- Original Message ----Subject: Order Confirmation

Date: Fri, 1 Apr 2011 10:22:16 -0700 From: info@ticketweb.com To: amanda

Thank you for your purchase, Amanda!

Name: Amanda B Hickman Order Number: M7WJQKAQX

Order Status:

http://www.ticketweb.com/t3/sale/OrderStatus?confirmCode=M7WJQKAQX&emailAddress=amanda+ticketweb@velociraptor.info&dispatch=submit Date of Furchase: Friday, April 01 2011 at 10:22 AM PDT

ALL SALES ARE FINAL

Order Summary

Event: Yo La Tengo

Time: Tuesday, May 10, 2011 8:00 PM EDT Venue: The Bell House 149 7th Street Brooklyn, NY 11215

Additional Info: \$customText.getConfTextMessage

Delivery Type: Will Call

 $2 \times 25.00 [General Admission] \$50.00

Event: Yo La Tengo

Time: Wednesday, May 11, 2011 8:00 PM EDT Venue: The Bell House 149 7th Street Brooklyn, NY 11215

Additional Info:

\$customText.getConfTextMessage

Delivery Type: Will Call

2 x \$25.00 [General Admission]

\$50.00

Service Fee: \$13.50 Delivery Fee: \$0.00

Total Charges: \$113.50 -

FOR ALL WILL CALL (HOLD AT VENUE BOX OFFICE) TICKETS: You must present the original credit card used to make this purchase at the venue's box-office or point of entry up to one hour prior to the event or after the doors open (unless otherwise noted).in order to pick up your ticket(s).

Please visit our Help Desk, which includes a section of Frequently Asked Questions, if you have any questions about your order. If you have not received your tickets 48 HOURS BEFORE "HE EVENT, please contact us immediately by submitting an issue through the Help Desk: http://www.ticketweb.com/help.html

Thank you for choosing TicketWeb.

Amanda B Nickman

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