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Live Nation-Ticketmaster Combination Probed by U.S. (Update4)

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By James Rowley and Adam Satariano

Feb. 11 (Bloomberg) -- The U.S. Justice Department opened an investigation of Live Nation Inc.'s proposed merger with Ticketmaster Entertainment Inc., in the first test of the Obama administration's antitrust policy.

The agency "is committed to vigorous enforcement of the merger antitrust laws and will conduct a thorough investigation," Justice Department spokeswoman Gina Talamona said today.

The review gives the Obama administration an opening to set the tone for evaluating transactions that raise concerns over market power. The Ticketmaster-Live Nation agreement has sparked an outcry among lawmakers, fans and artists who say the deal will consolidate too much control of live entertainment.

"There is great potential for abuse when two companies of this size and scope join forces," U.S. Senator Charles Schumer, New York Democrat, told reporters in Washington today. "This merger would snuff out the strongest competitor that Ticketmaster has" in concert-ticket sales, he said.

Ticketmaster, based in West Hollywood, California, owns the world's largest ticket-selling network and the biggest artist-management firm. Beverly Hills, California-based Live Nation, the largest concert promoter, owns the most venues and has exclusive deals with Madonna, U2 and Jay-Z.

Live Nation began its own ticketing service last year. Before that, the company was Ticketmaster's largest customer, representing about 17 percent of 2007 sales.

Market Control

The two companies would control 80 percent of concert ticket sales, Schumer said. Today he and U.S. Representative Bill Pascrell, a Democrat from New Jersey, released a letter sent to Attorney General Eric Holder opposing the deal.

The "merger is in clear violation of this country's antitrust laws" because Ticketmaster wants to "eat their primary competitor," Pascrell said today. He vowed to push antitrust enforcers to block the deal.

A House Judiciary subcommittee on competition scheduled a Feb. 26 hearing on the proposed merger. The panel is led by Representative Henry "Hank" Johnson, a Georgia Democrat.

Live Nation fell 83 cents, or 17 percent, to \$3.99 at 4 p.m. in New York Stock Exchange composite trading, its biggest skid since Dec. 22. The shares have dropped 62 percent in the past year. Ticketmaster lost \$1.14, or 19 percent, to \$5.01 in Nasdaq Stock Market trading, and has declined 79 percent since it began trading in August. Today's drop was the most since November.

Shareholders in each company will own about half the equity in the new one, to be called Live Nation Entertainment. It would have an enterprise value of about \$2.5 billion and annual sales of almost \$6 billion, according to a statement yesterday.

'No Barrier'

Ticketmaster Chief Executive Officer Irving Azoff, who would be executive chairman of the combined company, defended the merger yesterday against criticism that it would mean higher ticket prices and less competition.

"We think that it will be a more level playing field, and there is no real barrier of entry," Azoff said on a conference call.

Consumers will reap "measurable benefits," Live Nation Chief Executive Michael Rapino said in a statement yesterday.

Live Nation spokesman John Vlautin declined to comment today. Ticketmaster spokesman Albert Lopez wasn't available to comment.

President Barack Obama selected former Federal Trade Commission member Christine Varney in January to lead the Justice Department's antitrust division. 'Aggressive, Sensible'

A Washington lawyer who has represented eBay Inc. and News Corp.'s MySpace, Varney, 53, has a reputation as a deal broker who would let mergers proceed as long as the companies agreed to concessions to preserve competition. At the same time, she often joined 3-2 majorities at the FTC to press antitrust and consumer-protection complaints against companies.

Varney is "aggressive but in a sensible, adult way," Joe Sims, a Washington antitrust lawyer with Jones Day, said in a January interview.

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At the FTC, Varney voted to accuse Toys 'R' Us Inc. of pressuring manufacturers to keep popular toys out of discount stores, to pursue consumer-protection claims against R.J. Reynolds Tobacco Co. for its "Joe Camel" advertising campaign, and to impose conditions on [Time Warner Inc.](#)'s acquisition of Turner Broadcasting System Inc.

"The likelihood of the deal going through is less likely than most merger situations," said [Brett Harris](#), an analyst with Gabelli & Co. who rates Ticketmaster's stock "buy" and doesn't own it. He doesn't rate Live Nation.

Under the deal, Ticketmaster investors will receive 1.384 [shares](#) of Live Nation for each they now own. Based on yesterday's closing prices, the deal is worth \$6.67 a share to Ticketmaster holders, or \$382 million.

Springsteen, Competitors

Rocker [Bruce Springsteen](#) criticized the merger plan as a "near monopoly situation" after some people were unable to buy tickets to his American tour through Ticketmaster. Fans were redirected to the company's TicketsNow reseller [Web site](#), which charged many times the original prices.

"Never before have I seen such uniform opposition throughout the whole entertainment industry," said Don Vaccaro, the chief executive officer of TicketNetwork, a competitor to Ticketmaster. "Artists, managers, promoters, venues, primary tickets and secondary market sellers don't like this merger."

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