

# The wealth of nations

The cash and the fun may have been driven out of a lot of music studios some time ago but there are now big investments coming back into the industry from people who you'd think really ought to know better. **DAN DALEY** suggests that perhaps they've spotted something others have missed.



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**THE REFERENCE TO** Adam Smith's seminal work on free-market economics might be a little obtuse for a pro audio magazine, but it's dead-on for the times we live in. There is a hell of a lot of money floating out there these days. I'm not sure where it came from, but it's apparent that a bunch of it is finding its way into the music business. In fact, a surprising amount of it is even going into the studio business.

There is an old saying that if you want to make a million pounds in the music industry, start with

two million pounds. That's looking truer than ever as recording studios continue to go out of business or are driven to the brink by shrinking budgets from their putative benefactors, the major record labels, as those dinosaurs shrivel from revenues lost to illicit downloads and idiotic decision-making. Hit Factory and Enterprise and O'Henry are gone and we'll almost certainly see EMI Music do a merger of some type with Warner Music or Universal Music before the year's over. Seems like the only people making money in music are the ones we see on MTV's *Cribs*. And half of them are sports stars with Pro Tools (and an engineer on retainer to run it) in their basements.

So how come some pretty smart guys are putting *beaucoup* bucks into the next generation of sound palaces? Over in Covent Garden, Microsoft co-founder Paul Allen has sunk eight figures into the Hospital, a multilevel media playground that has not only two music studios and the UK's first High-Definition broadcast studio but also a gourmet restaurant and a private members club — a high-tech Groucho. And 11 hours away by Gulfstream G-5 (with extended-range fuel pallet option) in San Francisco, Steve Luczo, chairman of computer drive giant Seagate, is about to put the finishing touches on a 4,000-square-foot, US\$5 million music studio complex that comes with John Storyk acoustics and Industrial Light & Magic interiors.

There are other moves by the swell set to report. In Miami, a member of the Saudi royal family bought South Beach Studios — and the hotel it's located in — earlier this year. Up in New York, a wealthy Lebanese businessman acquired Quad Recording. In both cases, according to local scuttlebutt, the studios were turned over to the musically ambitious (though not necessarily musically talented) next generation of the family to be run as businesses. We'll see. What we do know is, musical talent or business acumen aside, they all have the most crucial prerequisite to operate a recording studio these days: money to burn.

I was at the opening of SAE's new Los Angeles school in April where I was handed business cards for two new studio ventures, both eager for media coverage, one of which is built on the ashes of one of the fallen studios in that neck of the woods. I appreciate the fact that some of these former facilities' brilliant acoustics and layouts are not going to be turned into mini-marts (or Wal-Marts, in the case of some of the larger ones) but I have to wonder what's behind this sudden spurt of interest and investment in recording studios on the part of people, some of whom are pretty smart cookies.

Looking closely at some of these ventures, it's tempting to think that they're likely doomed. Barring an amazing run of luck, they'll be vulnerable to the same market dynamics that asphyxiated their predecessors. Fewer, not more, recording artists are seeking out large, conventional, commercial recording studios. Assuming that some of these acquisition ventures came with an existing client base, those clients are subject to the same temptations they always were: using the huge amount of available

studio capacity to leverage rates or to bail on using commercial studios in favour of getting their own gear and space. Studio owners in large cities always used the logic that their clients could not achieve everything they needed on their own in dense urban markets because of the cost of space. But if you can do most of your work with a £50,000 AWS-900 instead of a £500,000 9000-J, it's amazing how much more you can pay for rent on space.

But a look at some of the other new studio initiatives reveals some potentially very workable strategies. Seagate's Luczo has built three control rooms that will host six staff mixers, at least one of whom, Peter Krawiec, a close associate of GRAMMY winner Walter Afanasieff, has a track record of some significance. At the end of the day, Luczo's Talking House Productions will own content, perhaps the ultimate currency in the digital age. Anyone who has watched the proliferation of the cable and satellite broadcasting industry, or kept apprised of the increasing multiples paid for music publishing catalogues, or of the independent film business, knows that there are entire cosmos that need their audio filled cost-effectively. And what's more cost-effective than owning the means of production as well as the content itself?

In the case of the Hospital, the strategy there plays into the lifestyle-oriented inclinations of the music industry. Assuming anyone can have Pro Tools, a good console, reasonably decent prêt-à-porter acoustics and the wherewithal to run it, what sets one studio apart from another? Or apart from the comforts of home? The comforts of Paul Allen's home, or at least of his well-evolved and well-capitalised sense of what a musical home should be. Why hang around a dingy lounge when you can lounge instead around a private bar one level down and hob-nob with those whose careers you truly aspire to emulate?

There are other clues at the Hospital that suggest where the upper strata of the studio business is headed. Where the HD broadcast studio is gorgeously equipped, the two audio recording studios are equally bare. They and their business model take into account that artists, producers and engineers today have their own ideas about what technologies they want to record with, as well as the fact that those technology platforms are portable, affordable and subject to change on a monthly basis. The six-figure recording console that was once the technology anchor of a facility is now a boat anchor. This is the BYOC — Bring Your Own Console — approach to the studio business. The attractions are not the recording spaces but the spaces adjacent to them. Both the equipment and dinner menus are a la carte.

As always, the music business, and by extension the studio business, is best judged by looking for clues in the larger culture. The making of music has followed the music itself into the realm of lifestyle. Page Six in the New York Post has a better rate of return than a page in Mix these days, and failing music careers can be kept alive between comebacks by the adroit implementation of felony indictments and barrister-negotiated community service sentences. (Seriously, no one on my side of the Atlantic Ocean would know who the hell Pete Doherty was if he didn't keep getting arrested for heroin possession. And as for his erstwhile girlfriend, Kate Moss's endorsements are now worth more than they were before she was photographed being seduced by Bolivian marching powder.) It all makes you realise that in the grand scheme of things, Alan Parsons got far more mileage out of a good haircut and having his band play one gig per decade than he did engineering for the Beatles and Pink Floyd

put together.

So, will the embrace of the studio business by a new generation of wealthy amateurs (and I respectfully use that word in the classical sense) foster some kind of Renaissance in the studio business, and perhaps the music business, too? I don't know. But I do know that Paul Allen and Steve Luczo are very smart guys. They also share something else that's been lacking in the business lately, a force that, when you look back at the successful musical and recording ventures of the past, was always there in abundance: passion. True, they have the money to fund their obsessions at a very high level. But considering all of the other things they could be putting that money and time into, the fact that they're investing their personal brands in the music recording business makes others look and think twice.

That these guys are putting their resources into an industry that's been crying the blues about money for the past five years speaks volumes. It's not like they're movie stars playing in weekend bands — they're sharp and savvy businessmen who understand the concept of 'buy low, sell high'. It makes you think: perhaps the music recording sector isn't a dog, but rather an opportunity whose share price is so low that, like a tech stock in 2001, it's become very attractive. If Paul Allen suddenly began investing in mousetraps, I'd seriously consider buying into a rodent farm. Plus, they're both computer-industry veterans, and wasn't it a computer guy named Steve Jobs who figured out the new business model for the music business when all those guys at SonyBMGWamerUniversalEMI couldn't? Keep an eye on where all this is headed. ■