

# EU approves Sony-BMG merger

The European Commission unanimously approves a deal that will create the world's second largest music label

The merger puts some 75% of the world music market in the hands of 4 companies, Sony-BMG, Vivendi Universal, EMI and Warner

## REUTERS, BRUSSELS

The European Commission has confirmed its unconditional approval for a merger between record companies Sony Music and BMG, creating a new player rivalling market leader Vivendi's Universal Music Group. The combination of Sony Music, a division of Japanese electronics giant Sony Corp, and BMG, a unit of German media company Bertelsmann, brings together a wide range of artists, including Aerosmith, Beyonce, Britney Spears and Bryn Terfel. The merger does not include the music publishing units of either company, Sony's Japanese arm or its CD manufacturing business.

The European Union executive said on Tuesday it would watch the sector closely for further consolidation. "The Commission will keep a close watch on the music sector as it becomes even more concentrated and would very carefully scrutinise any further major concentration in the industry," it said in a statement.

Sony and Bertelsmann have argued that difficulties in the music industry, which is facing declining sales of CDs and illegal download-



The headquarters of German media giant Bertelsmann in Guetersloh, Germany. Right, the Sony Corporation headquarters in Tokyo / ARCHIVE



ing, necessitated the merger. "We're pleased that (EC officials) have recognized that the creation of Sony BMG is an appropriate and necessary response to current market conditions," said Sony Music Entertainment Chairman and CEO Andrew Lack, who will become CEO of the combined company. The deal will allow the companies to push

through as much as \$350 million in annual savings to offset the 20 percent drop in sales that the music industry has suffered in the last three years. Yet there is also the risk in the diva-laden music industry of undermining the all-important creative end of the business.

The deal is opposed by independent record producers, who found

some initial support at the commission. Ultimately, however, Competition Commissioner Mario Monti and his staff decided that the original arguments against the deal would not stand up before the European Union's Court of First Instance in Luxembourg. The court has thrown out three commission prohibitions, deciding that the

commission failed to prove its cases, setting a high bar for proof in the process.

At two days of closed hearings earlier this year, where Sony, BMG, their critics and their allies aired views, one lawyer warned the commission that it had best remember the high standards of proof set by the court, sources said.



## Boeing and Airbus deny trade war

Top officials of the world's two largest aircraft makers deny a trade war is in the offing, even as rhetoric between the two rumbles on at the aerospace industry's biggest annual gathering. Noel Forgeard, chief executive of Airbus, said at the Farnborough air show on Monday that the European planemaker would not spark a trade war with the United States over the issue of state subsidies to the aerospace industry. His counterpart at Boeing, which Airbus has knocked off its perch as the world's number-one civil jet manufacturer, also brushed aside talk of a trade war but said a bilateral trade accord struck in 1992 needed to be changed.

## Bosch workers vote to lengthen 35-hour week

### AGENCIES

Faced with a choice between working one extra hour a week for the same pay or seeing their jobs go to another country, French workers at a Bosch factory have voted to keep their jobs. Only two percent of the 820 workers at a Bosch diesel pump plant near Lyon rejected a proposal to work 36-hours per week. This development could portend the unraveling of France's 35-hour working week philosophy, which was introduced by the previous socialist government as a way of giving more people the chance to work. It has not received the support of current president Jacques Chirac, who has opted for allowing more flexibility without doing away with it.

"Firms can become inspired by the method used here, to make deals with unions and then modify contracts," according to Serge Trucello, whose CGT union opposed the



French president Jacques Chirac / ARCHIVE

agreement. "If we hadn't signed the accord, it would have meant the enterprise's slow death from here until 2007-2008", replied Marc Saubitez of the CFDT union.

## Oil prices climb near 42 dollars, fuelling fears about supplies

Oil prices climbed to almost 42 dollars a barrel on Monday as new sabotage attacks in Iraq helped rekindle worries over the reliability of Middle East crude shipments. U.S. light crude settled up 39 cents at \$41.64 a barrel, after hitting a high of \$41.90, adding to last week's rally and approaching the all-time futures contract high of \$42.45 struck in June. Brent crude, traded in London, eased 10 cents to \$37.90 a barrel.

"Oil prices are still strong because demand is strong, capacity utilization is high, and we've still got concerns over security of supply," said Commerzbank analyst Steve Turner. Recent suicide and insurgency attacks have targeted the nation's energy infrastructure and hindered oil shipments, worsening fears about future supplies.