



search

Go

6:27 AM PST, January 26, 2007

JOB'S CARS REAL ESTATE APARTMENTS SHOPPING | WEATHER TRAFFIC



Business News

Print E-mail story Most e-mailed Change text size

EMI to combine two labels

Capitol Records and Virgin will merge in a broad reorganization. One executive is ousted. Workers fear operations in L.A. will move east.

By Geoff Boucher, Times Staff Writer
January 26, 2007

Ailing music giant EMI will merge two of the music industry's best-known labels, Capitol Records and Virgin Records America, in a sweeping reorganization prompted by the company's financial troubles.

EMI on Thursday unveiled the new Capitol Music Group, retaining the name of its iconic label whose roster once included the Beatles and Frank Sinatra. Capitol President Andy Slater was forced out, six months into a five-year contract extension.

The news caused considerable concern at the landmark Capitol Records tower in Hollywood, where employees have feared for some time that EMI operations in America will move east to New York.

That could free the 13-story building, which resembles a stack of records, to be converted for residential space or other use. Slater, who took the reins of Capitol in 2001, had advocated keeping the tower and its storied studios in the record-making business. The building and adjacent properties were sold last year for \$50 million to New York-based developer Argent Ventures and leased back to Capitol.

Capitol staffers who didn't want to be identified because of the sensitive situation said they feared major job cuts were coming, noting that some employees were being told that they would have to interview to keep their jobs.

Seeking to ease fears, EMI Chairman Eric Nicoli said the reorganization was a necessary retrenchment.

"The combined artist roster, talent and market share of this new label group establishes Capitol Music Group as one of the U.S. music industry's leading labels," Nicoli wrote in a memo. "We will maintain operations in both New York and Los Angeles."

But Art Alexakis, singer of the band Everclear, which has been on the Capitol roster since the 1990s, said he believed that the move signaled EMI would be on the sales block soon.

"I think really it's no secret that they're bringing in people to get the place in shape so that they can sell it," Alexakis said. "The only way to make it look profitable on paper is to downsize. The heyday of the entire music business looks to be long gone, and so I think now you see companies trying to figure out what's next."

Nicoli named Jason Flom, chairman of Virgin Records America, to head Capitol Music Group. He will report directly to Nicoli.

The Nicoli memo praised Flom for his ability to seek out opportunities in the still-unpredictable digital marketplace. The EMI chairman also signaled that uneasy days were ahead.

"These changes won't be easy," he wrote. "Some of you will be asked to take on new responsibilities and roles. But these measures are absolutely necessary for our business to succeed in a world where fans are more demanding and expect instant access to their favorite artists and music."

This month Nicoli replaced EMI Music Chief Executive Alain Levy, who left the London-based company along with Vice Chairman David Munns in a shake-up that followed a dismal performance by the industry's third-largest company. EMI labels were shut out from the top 10 CD list for 2006.

The formation of this combined U.S. label group is part of EMI Group's larger restructuring program, designed to deliver \$217 million in annual savings across its

advertisement

Mobile Broadband USB Modem by Novatel.
Only from Sprint.

Shop now >

Sprint POWER UP
Together with NEXTEL

More Business News

- Governor's health plan could be short-lived
- EMI to combine two labels
- Former NBC Universal treasurer arrested

Most Viewed Most E-mailed Related News

- Bodybuilding governor feels the unforgiving weight of time
- Cheney's key role in leak case detailed
- Rage Against the Machine will reunite for Coachella
- Backups show they're worthy amid injuries
- 10-year-old filmmaker sues for creative control

advertisement

— ONLINE PROGRAMS —

BACHELOR'S DEGREES

- Bachelor of Science in Business/Accounting
- Bachelor of Science in Business/Administration
- Bachelor of Science in Business/Marketing
- Bachelor of Science in Health Administration
- Bachelor of Science in Information Technology
- RN to Bachelor of Science in Nursing

MASTER'S DEGREES

- Master of Arts in Education
- Master of Information Systems
- Master of Business Administration
- Master of Science in Nursing

LEARN MORE

HOME MyLATimes New Site Map

- Business
- Advertising
- Money & Investing
- Technology
- Video Games
- Work & Career
- Business Tools
- Investor Tips & Tools
- Law Resources
- Money Library
- Money Q & A
- Consumer Rates
- Press Releases

- NEWS
- California | Local
 - National
 - World
 - Entertainment News
 - Business
 - Sports
 - Politics
 - Opinion
 - Columnists
 - Print Edition

- Calendarlive
- Travel
- West Magazine
- House & Garden
- Health
- Food
- L.A. Wheels
- Obituaries
- Crossword, Sudoku
- All Sections
- Corrections

- BUY, SELL & MORE
- Jobs
 - Cars
 - Real Estate
 - Apartments
 - Personals
 - Deals at Local Stores
 - Coupons
 - Newspaper Ads

PLACE AN AD

- MEMBER SERVICES
- Log Out
 - Help
 - Contact Us
 - L.A. Times Archives
 - Customized News
 - E-mail Newsletters

- HOME DELIVERY
- Customer Support
 - Subscribe to L.A. Times

LOCAL ADS Buy a link

Now
 Scan, Fix And Optimize Your Computer The Easy Way. Free Registry Scan
www.Fix-Computer-Reg...

Refinance Rates at 3.8%
 \$300,000 Mortgage Under \$719/mo. Get 4 free quotes. Bad Credit OK!
www.lendgo.com

businesses.

Capitol's current roster includes Coldplay, Chingy and OK Go, whose success last year was fueled by a quirky music video that became a Web sensation.

But EMI has had its share of disappointments as well. Its highly touted "Love," a re-imagining of the Beatles songbook and released last year by Capitol, failed to meet sales expectations, as did Virgin's release of a Janet Jackson comeback album.

Slater's background made his hiring a bit offbeat: Instead of a steady corporate path, he had been a journalist and then an acclaimed manager and record producer.

Flom, who is based in New York, took over the helm at Virgin in 2005. His background includes a stint as chairman of Atlantic Records, a position he attained thanks in large part to his success with Lava Records, whose roster included Kid Rock, Matchbox 20 and the Corrs.

EMI hopes its fortunes start improving next week, when its Blue Note label releases the third album from singer-songwriter Norah Jones. An initial shipping of close to 1.5 million copies signals that EMI is betting heavily that the CD will be a hit.

But the U.S. pop charts remain anemic. The soundtrack to the film "Dreamgirls" hit No. 1 on the list but did so by selling about 60,000 copies, the lowest bestselling mark since 1991, when SoundScan introduced the current retail tracking system.

Many financial observers have weighed in that EMI could be better off if merged with Warner Music Group. The two companies have been involved in a corporate mating dance for years but have been unable to consummate a deal.

EMI offered to acquire Warner last summer, but Warner rejected the bid as too low. Warner then made a bid for EMI, which was in turn rebuffed.

The departure of Levy has been seen by some as a cleared obstacle to the merging with Warner in some fashion.

*

geoff.boucher@latimes.com

MORE NEWS

- **Smoking addiction resides in brain**
- **Filmmaker, 10, sues for creative control**
- **Two U.S. soldiers may face torture charges**
- **Toxic cleanups expected to cost over \$50M**



What's the real beauty of "Southern California"? View reader photos at [Your Scene](#).
 Submit your photo now >>

Ads by Google

Custom Private Label CDs
 Licensing Production Design Custom Content Custom Covers
www.n1ear.com

MusicSubmit.com
 Submit your music to hundreds of music resources.
www.MusicSubmit.com

Promote Your Music
 Get your music heard by millions of potential fans!
www.privatelabelradio.com

Unsigned Bands - Wanted
 New community for Unsigned bands Create your Band Profile for Free!
www.unsigned.com

Capitol home mortgage
 \$150k loan for \$381/month Save \$1000's - Apply Now!
Refinance.Low.com

SEARCH HOME

University of Phoenix
 — ONLINE PROGRAMS —

Search Open Houses Here...

Start Here!

Search Homes >>

Homescape