Warner Music and Sony in dual disc move
By Tim Burt, Media Editor
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The global music industry is poised to launch technology that would combine compact
discs and music videos on a single disc in its latest drive to bolster faltering recorded
music sales.

Warner Music, part of AOL Time Warner, is due to launch the so-called "dual disc" early
next year in conjunction with Sony, the Japanese electronics and entertainment group.

The three other music majors - Universal Music, EMI and BMG - support the plan.

The chairman of one of the music companies, who declined to be named, said: "We are
testing the market and we are going to launch it early next year."

Under the proposal, a single disc would combine a music album on one side and a
digital versatile disc (DVD) on the other.

Initial production would be led by the CD manufacturing arms of Sony and Warner
Music, which is selling its CD factories to Cinram International of Canada.

The project follows falling demand for traditional CDs and rising sales of DVDs.

Figures published last week by the IFPI, the trade association representing the music
industry, showed the global value of music sales falling from $34.5bn to $32.2bn last
year.

CD sales were down from 2.37bn units to 2.25bn, while demand for DVDs jumped from
34.7m to 62.8m.

"Everyone wants to exploit the growth of DVD and a dual disc is seen as one way to
safeguard sales," said an executive at Warner Music.

Earlier this month, Universal Music - one of the companies supporting dual disc
technology - announced a 24 per cent cut in wholesale CD prices in an effort to kick-
start sales.

Sony Music recently announced plans to launch an online music service following
similar moves by Apple and Microsoft, while Warner is discussing a merger of its
recorded music operations with BMG, the music arm of Germany's Bertelsmann group.

Talks between BMG and Warner are continuing this week, although EMI is considering
a potential counter-offer to AOL Time Warner.

The UK group on Monday announced plans to strengthen its balance sheet with
a £300m ($493m) 10-year bond offering. The move follows another bond issue last
week to raise £243m.

EMI declined to comment on the reasons for the latest fund-raising.
It is understood, however, that Warner Music favours a 50-50 merger with BMG rather than taking a minority stake in a combined company controlled and managed by EMI.

AOL Time Warner and Bertelsmann declined to comment on the status of the talks.