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October 4, 2007

VIA EMAIL AND ECFS

The Honorable Kevin J. Martin, Chairman
The Honorable Michael J. Copps, Commissioner
The Honorable Jonathan S. Adelstein, Commissioner
The Honorable Deborah Taylor Tate, Commissioner
The Honorable Robert M. McDowell, Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Written Ex Parte Presentation in Connection with the Consolidated
Application for Authority to Transfer Control in Connection with the
Sirius/XM Merger, as amended
(MB Docket No. 07-57)

Dear Mr. Chairman and Commissioners:

The Consumer Coalition for Competition in Satellite Radio ("C3SR"), through its counsel, hereby submits for your consideration in the above-referenced docket the attached article authored by Louis Hau and published at Forbes.com, entitled "Sirius CEO Discusses the Biz."¹ The article summarizes Sirius CEO Mel Karmazin's presentation to the Merrill Lynch Media and Entertainment Global Investor Conference, and highlights one of the most certain anti-consumer impacts of the proposed merger between Sirius Satellite Radio Inc. ("Sirius") and XM Satellite Radio Holdings Inc. ("XM") – increased commercial content. C3SR urges the Commission to protect the interests of consumers by denying the proposed merger.

In the presentation, Mr. Karmazin expressed his desire to increase Sirius' advertising revenue to 10% of total revenue, up from the current level of 4% - 5%.² Such an increase would result in a quality-adjusted price increase for current SDARS subscribers; the value of the service to subscribers decreases as the amount of commercials increases. Given that subscription levels are projected to grow rapidly, such an increase in advertising revenues would represent a substantial commercial increase and an equally substantial quality-adjusted price

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² Mr. Karmazin made a similar pledge for increased advertising revenue in a February 20, 2007 investor presentation on the proposed merger between Sirius and XM.

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increase. Furthermore, Mr. Karmazin's pledge to keep Sirius' music channels commercial free, and thus limiting any commercial increases to non-music channels (e.g., Howard Stern, Road Dog Trucking, Playboy), illustrates: (1) the high value subscribers place on the availability of commercial-free music channels on satellite radio (a feature not available on terrestrial radio, which is advertiser supported); and (2) the demand inelasticity for consumers of non-music content (particularly indecent content, which is not available on terrestrial radio). The incentive and ability to increase commercial content will increase exponentially if Sirius and XM are permitted to merge.

A copy of this letter and the attached article will be submitted via ECFS for inclusion in the above-referenced docket pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, and Public Notice DA 07-1435 (released March 29, 2007).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Julian L. Shepard". The signature is fluid and cursive, with a large loop at the end of the last name.

Julian L. Shepard
Counsel for C3SR

Attachment



Satellite Radio

Sirius CEO Discusses The Biz

Louis Hau 09.17.07, 2:32 PM ET

As Sirius Satellite Radio anxiously awaits regulatory approval of its proposed merger with XM Satellite Radio, Chief Executive Mel Karmazin still has a business to run.

It was these bread-and-butter issues he discussed during an appearance Monday at the Merrill Lynch Media and Entertainment Global Investor Conference in Marina Del Ray, Calif.

Some highlights:

--Karmazin would like to see advertising revenue eventually make up about 10% of Sirius' total revenue, up from the current 4% to 5%. He acknowledges that one challenge in boosting the numbers is the company's relatively limited reach as a subscription service. The proposed merger with XM would help. "The more critical mass we get, the more we'll have an opportunity to exponentially add advertising revenue to our model," he said.

Sirius features advertising on some of its niche lifestyle channels, but Karmazin said it is "cast in stone" that the company won't do so on its music channels. The absence of advertising there has been a crucial differentiator with terrestrial radio--one that has helped drive customers to the company.

--A key growth driver for Sirius is its relationships with auto makers who offer factory-installed satellite radios in their vehicles. Karmazin said Sirius radios are expected to be installed in about 40% of its exclusive automaker partners' vehicles in 2007, up from 23% in 2006 and 10% in 2005. Sirius radios will be installed in more than 70% of Chrysler's 2008 model year vehicles. Karmazin added that more than 90% of Mercedes-Benz vehicles are expected to feature Sirius radios in 2009, up from about 80% this year.

--Chrysler is expected to "promote aggressively" Sirius' new "Backseat TV" satellite TV receiver in its 2008 model year vehicles, Karmazin said. The satellite radio companies have contemplated the idea of an onboard TV service for years. But Karmazin boasted that the Chrysler deal proves "this is not a theory, this is something out there that's working."

--In order to convince the Federal Communications Commission that the Sirius-XM merger won't hurt consumers, the companies have promised to offer a lower-cost, a la carte subscription that will allow customers to pick 50 of their favorite channels, excluding shock jock Howard Stern and play-by-play sports.

Isn't Karmazin concerned that such an offering will cut the average revenue per user? Not really, he said. With only a small fraction of the radio audience currently subscribing to satellite radio, "we're not a mature business where the only way we grow our business is by growing our [average revenue per user]...The way we're going to grow our business is by growing our subscriber base and reducing costs," he said.

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