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Marlene Dortch, Esq.
Secretary, Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

November 20, 2007

RE: Docket 07-57

Dear Ms. Dortch:

On November 19, 2007, Andrew Lowinger, Chief Executive Officer of U.S. Electronics, and I, representing the company, met with Amy Blankenship, advisor to Commissioner Tate.

Mr. Lowinger reiterated the concerns of U.S. Electronics, laid out in the record to date, that approval of the merger without conditions that will protect consumers against the adverse effects of the vertical monopoly features of the merger would not serve the public interest. Specifically, if the applicants are permitted to merge to monopoly without addressing the harms resulting from the path that they are already pursuing to excluding diverse and independent production of satellite radio receivers, consumers and small retailers will be irreparably harmed, and the Commission will have lost any leverage it has to institute appropriate protections after the merger has closed. In other words, regardless of whether vertically integrated, exclusive distributorships are lawful in some circumstances, as has been argued by the merger applicants, they are not in the public interest, and should not be found to be such, where the network platform essential to such an exclusive distributorship is a monopoly that requires regulatory approval.

For this reason, Mr. Lowinger explained, the merger applicants' movement toward a sole source manufacturing and distribution partner, affiliated with the network monopoly that is intended to result from the transaction for which approval is sought, is a merger specific issue for which the Commission should seek appropriate voluntary commitments to protect consumers. That the merger applicants already have been able to make significant headway to date in reducing the number of authorized suppliers means that this is the final opportunity to mitigate the damage resulting from the merger itself.

Mr. Lowinger reiterated the merger conditions that U.S. Electronics have proposed as appropriate commitments from the merger applicants to protect against the adverse

impact of the vertical monopoly aspects of the proposed merger. In sum, these commitments would ensure that the network services monopoly resulting from the merger could not prevent or interfere with the independent and diverse production of satellite radio receivers. Mr. Lowinger emphasized that the commitments proposed by U.S. Electronics in no way limit or compromise the ability of the monopoly network services provider to take appropriate measures to test receiver units to ensure that they will afford proper security for content, just as they have done for several years.

I reiterated U.S. Electronics' concerns regarding the timing of the regulatory process insofar as there are still pending petitions to defer, and a petition to designate the application for hearing, as well as recently filed responses by the merger applicants to the Commission's requests for additional information, which have not yet been reviewed by the Commission or interested parties. I urged the Commission's attention to U.S. Electronics' petition to designate the application for hearing as a way of ensuring the development of a full and proper record on which the vertical monopoly issues can be justly resolved.

Respectfully submitted,

//signed//

Kathleen Wallman
Adviser to U.S. Electronics