

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Development of Devices Capable) MB Docket No. 08-172
of Supporting Multiple Audio)
Entertainment Services)
)
)

**COMMENTS
OF THE
ALLIANCE OF AUTOMOBILE MANUFACTURERS, INC.**

The Alliance of Automobile Manufacturers, Inc. (“Alliance”) hereby submits the following Comments in response to the Commission’s *Notice of Inquiry*¹ in the above captioned matter. As discussed below, the Alliance’s members oppose any action by the Commission that would require the incorporation of HD Radio technology into satellite radio receivers.

Background

The Alliance, whose members include BMW Group, Chrysler LLC, Ford Motor Company, General Motors, Mazda, Mercedes-Benz USA, Mitsubishi, Porsche, Toyota, and Volkswagen, is a trade association composed of the world’s leading car and light truck manufacturers. The Alliance’s members have approximately 600,000 employees at more than 250 facilities in 35 states, and Alliance members account for more than 90 percent of vehicle sales in the United States. Most of the Alliance’s member companies offer vehicles equipped

¹ *Development of Devices Capable of Supporting Multiple Audio Entertainment Services*, Notice of Inquiry, 23 FCC Rcd 13178 (2008) (“*Notice of Inquiry*”).

with satellite radio receivers and all have an interest in how audio-based entertainment services are delivered into their vehicles.

The Commission Should Not Require HD Radio Technology to be Incorporated into SDARS Receivers.

Following the adoption of the Commission's Order approving the transfer of licenses and authorizations from XM Satellite Radio Holdings Inc. to Sirius Satellite Radio Inc.,² the Commission published the *Notice of Inquiry*, which focuses on issues related to requiring devices that are capable of receiving Satellite Digital Audio Radio Service ("SDARS") to also include HD Radio technology.³ The Commission stated that it initiated the proceeding to determine "whether to require HD Radio or any other audio technologies to be incorporated into all SDARS receivers and/or whether to require SDARS or any other audio technologies to be incorporated into all HD Radio receivers."⁴

The Alliance's members oppose any action by the Commission that would require the incorporation of HD Radio technology into satellite radio receivers. First, the Alliance believes that current market forces are sufficient to afford consumers the opportunity to purchase vehicles with HD Radio if they so desire. As noted above, most of the Alliance's member companies offer vehicles with satellite radio receivers. These receivers are offered as optional or standard features on a number of vehicle models, along with other entertainment options such as AM/FM radio. Given the highly competitive nature of the automobile industry, the Alliance's members must be and are responsive to the competitive marketplace. That competitive marketplace

² *Applications for Consent to the Transfer of Control of Licenses, XM Satellite Radio Holdings Inc., Transferor to Sirius Satellite Radio Inc., Transferee*, Memorandum Opinion And Order And Report And Order, 23 FCC Rcd 12348 (2008).

³ *Id.*

⁴ *Id.* ¶ 5.

ensures that entertainment options must become available in vehicles after consumer demand and technological capabilities have been proven.

In view of these facts, the Alliance fully supports the comments jointly filed by General Motors Corporation and Toyota Motor Sales USA, Inc. in the Sirius-XM merger proceeding, in which those companies state that “HD is already penetrating the automotive sector without a mandate,” and that “[s]everal manufacturers are either currently offering HD or have announced plans to make HD radio standard or optional in future models.”⁵ The Alliance agrees that “[t]he automotive environment is extraordinarily competitive and there has been no showing in the record to support the proposition that if consumers continue to show an interest in HD technology that those manufacturers currently pursuing other entertainment strategies will not take notice and adjust their strategies.”⁶

Second, the Alliance believes that a government mandate requiring that HD Radio features be integrated into satellite radio receivers would increase the costs to vehicle manufactures of integrating audio entertainment systems into their vehicles, thus increasing the costs to consumers. In fact, the Alliance agrees with Delphi Corporation that “[i]ntegration will drive higher costs... where the consumer has chosen either HD Radio or [satellite radio] but does not have a desire for both,” and that “[r]equiring an HD Radio system to be integrated with [a satellite radio] will unduly burden the consumer by adding significant cost to the [sale] price compared to the stand alone [satellite radio] receiver.”⁷ The Alliance also agrees with Delphi’s suggestion that the cost increases “could have a negative impact on both HD and [satellite radio]

⁵ See Letter from Richard M. Lee, Executive Director for Satellite Radio Services, *et al.*, to Ms. Marlene H. Dortch, Secretary, Federal Communications Commission, MB Docket No. 07-57 (filed Jul. 10, 2008).

⁶ *Id.* Moreover, it appears that many consumers are more concerned about fuel economy when purchasing a new vehicle than whether or not that new vehicle has HD Radio.

⁷ Comments of Delphi Corporation, MB Docket No. 08-172 (filed Oct. 28, 2008).

sales,” and reduce consumer demand for the integrated systems as compared to traditional analog radio systems.⁸

Third, given the current extraordinary contraction of the U.S. economy and lower automobile sales, imposing the additional burden of requiring the incorporation of HD Radio technology into satellite radio receivers would create an undue economic burden on the automotive industry as a whole. Over the last nine months, new vehicle sales have dropped from an anticipated 15.6 million vehicles at the beginning of 2008 to just 11.2 million vehicles as of October 15. This represents a greater than 19% drop in expected vehicles sales in just nine months. While the Alliance is committed to an open and free competitive marketplace, an HD radio mandate would represent an unprecedented level of government interference in the decisions typically made by automobile manufacturers and consumers regarding the types of entertainment technologies that are available in the automobile environment.

Finally, although HD Radio has yet to be adopted by consumers on a wide scale (in part because of the limited content currently available on HD Radio), it is the Alliance’s understanding that HD Radios do not preclude the vehicle’s occupants from receiving other non-HD Radio or non-AM/FM content. Because consumers with HD Radio receivers are still free to use satellite receivers in their vehicles, requiring HD Radio technology to be incorporated into satellite radio receivers would not necessarily increase the use of HD Radio content or spur consumer demand for HD Radio.

⁸ *Id.*

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The Alliance appreciates the Commission's consideration of its comments regarding this matter.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Vann H. Wilber", with a long horizontal flourish extending to the right.

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