



commercial campus radio station, WODU, and later became responsible for running the station. I graduated from ODU in 1988 with a Bachelor's degree in Business Management.

3. Even before I graduated from ODU, I began to work professionally in the radio industry. I originally was hired by Saga Communications to fill a programming position in Norfolk, Virginia at WNOR-FM. I later was transferred to a station in Milwaukee, Wisconsin, WKLH-FM, where I was Assistant Program Director and was responsible for developing on-air product and managing talent. Saga Communications then transferred me back to WNOR-FM as Marketing Director, where I oversaw the station's research, promotions, and marketing.

4. In 1992, I was hired by Infinity Broadcasting, one of the largest companies in the terrestrial radio industry, to help oversee the transformation of an established classic rock station in Washington, D.C. (WJFK-FM) to a talk-based format. As Program Director and Operations Manager, I was responsible for creating the sound of the new station, including the selection and hiring of on-air talent, to maximize appeal to an FM-band demographic typically served by music stations. I was responsible for adapting for national syndication many of the shows that I had helped develop in the D.C. market. This was my first personal experience with national radio programming. In 2000, I was sent to New York to become Program Director of WNEW-FM, another Infinity station, where I also supervised development of a talk-based format and syndicated certain content nationally. I continued to work for Infinity at WNEW-FM in New York until 2002, and joined Sirius in 2003.

#### **Summary of Testimony**

5. The purpose of my testimony is to describe Sirius' news, talk and entertainment channels and to explain their critical importance to Sirius' service. My staff of program

directors and I devote a tremendous amount of creative effort, time, and energy to ensure that these channels contain exciting, innovative programming that will enhance the appeal of Sirius' service and thereby attract and keep subscribers. Below, I describe some of the ways we accomplish this and outline some of the specific improvements that we have instituted in Sirius' programming to achieve that goal. I base the following testimony on information that I have learned in my eighteen years in the radio industry, my personal experience at Sirius, and on sources that are available to me and upon which I commonly rely in carrying out my duties.

#### **Overview of Sirius' News, Talk and Entertainment Channels**

6. The Sirius strategy to offer a variety of audio entertainment channels of interest to paying subscribers necessitates a substantial offering of news, talk and entertainment channels, for a variety of reasons that has formed the basis of our programming decisions, and supports our marketing slogan of "The Best Radio On Radio."

- Traditionally, AM and FM radio stations have offered, proportionally, very little in the way of non-music formats in any given market. Our non-music offering of a variety of content that is not available on AM or FM increases demand for our service.
- Talk radio content that relies on strong personalities (traditionally as AM talk shows and FM morning shows) creates high loyalty among listeners. Loyalty to our Sirius personalities increases our word of mouth advertising, and reduces subscriber turnover or "churn."
- Talk radio content can support a larger quantity of commercial time than music, because talk audiences have nothing comparable to tune to. In the case of Sirius, while we run far fewer commercials during talk programming than terrestrial radio, we are able to run some commercials. Therefore, our non-music programming allows us to supplement subscriber revenue with advertiser revenue.
- There are many more types of talk radio of interest to listeners than traditional radio offers. Because of the number of channels we program and national reach, Sirius can offer formats and concepts not available on terrestrial radio,

from stations for truckers to stations that simulcast Fox News, increasing demand in Sirius.

7. Sirius offers a wide variety of channels to appeal to a diverse listening audience. SIR Ex. 28 is a printout of website pages showing the diversity of our channel lineup. Our 54 news, talk and entertainment channels can be subdivided into six basic formats: news (16 channels); talk and entertainment (16 channels); comedy (3 channels); family and kids (3 channels); religion (3 channels); and traffic and weather (13 channels). These channels appear as channels 100 and higher in the Sirius channel guide that is SIR Ex. 24. Website descriptions showing some of the highlights of the Sirius news, talk and entertainment channels are provided in SIR Ex. 17. SIR Ex. 25 provides more website information about certain of our channels. I discuss the largest of these formats, and their importance to Sirius, below.

8. In addition to format, a second important factor that can be used to differentiate our news, talk and entertainment channels is the source of program content. Some of our channels – principally, but not exclusively, our news channels – employ what we refer to as “pass through” programming. In this model, the originating source (e.g., CNN) provides the programming feed to Sirius for compensation and Sirius transmits that programming unaltered to subscribers (although Sirius inserts promotional announcements and commercials where the format dictates). My group works with others at Sirius to select content providers and negotiate agreements with them. Generally, we are looking for strong brands that are household names with high subscriber appeal and content that will work well on radio. Once an agreement is in place with the content provider, the principal responsibilities of my team are to monitor the quality of the programming, make sure that it continues to serve the needs of

our listeners, and to resolve any technical issues that may arise. When I joined Sirius, the majority of the news, talk and entertainment programming followed this model.

9. More recently, Sirius has focused its efforts on developing original programming. For example, Sirius Patriot and Sirius Left, conservative and liberal talk radio channels, respectively, were created by Sirius using both syndicated programming and programming originating in our own studios in New York. In other instances (for example, Maxim Radio and Cosmo Radio), we have taken established non-radio brands – in this case, magazine brands – and created entirely new but complementary radio stations for their audiences. In both of these situations, the programming content is selected by Sirius and often created by Sirius. In addition, Sirius generally incurs the costs of development, talent and production, which can be very substantial, and pays royalties and other financial incentives to the brand owners for their creative contributions and the use of their marks.

10. A third critical factor to consider in evaluating programming is satellite radio exclusivity. While it is useful to have established non-exclusive brands such as Disney, CNN, Fox News, etc., the ability to attract and retain paying subscribers requires exclusive content. This is for two primary reasons. First, we must convince potential subscribers to pay for satellite radio when they can always receive terrestrial radio for free. Second, we must differentiate Sirius from XM and convince potential subscribers to choose Sirius over XM. In both instances, the key is highly attractive content that subscribers cannot get anywhere else. Exclusive content is also critical to retaining subscribers. Although the best known example of Sirius exclusive content is the Howard Stern Show, we also have important exclusives with a number of other established brands and hosts, as discussed below, as well as with the channels

and shows that we have developed ourselves. A website description showing many of the Sirius stars is SIR Ex. 18.

### **Sirius News Channels**

11. Sirius' news programming includes renowned offerings such as the FOX News Channel, CNN, CNN Headline News, BBC World Service News, CNBC, ABC News & Talk, Bloomberg Radio and two NPR channels. These are all well-known brands and their presence in our channel lineup ensures that all listeners can stay informed through an established favorite source or multiple sources.

12. Most Sirius news programming is pass through, as described above, and most of it is non-exclusive. Our news content is a substantial differentiator between satellite radio and terrestrial radio, and as most radio listening is done in the car, subscribers nationwide appreciate being able to hear strong news brands such as Fox and CNN, even without the television pictures. Wide-ranging news programming is an essential component of Sirius, and the ability of our listeners to access the same news channels nationwide and at any time of the day is an important selling point over terrestrial radio.

13. Sirius does presently have an exclusive relationship with NPR insofar as satellite radio is concerned. We have a similar exclusivity with the World Radio Network, which delivers international news.

### **Sirius Entertainment and Talk Channels**

14. Sirius has a wealth of entertainment channels, including two Howard Stern channels (Howard 100 and Howard 101), E! Entertainment Radio, Maxim Radio, Court TV Radio, Cosmo Radio, Martha Stewart Living Radio, LIME (a healthy living channel), Sirius

OutQ, and others. The Sirius entertainment lineup also includes Playboy Radio, which subscribers can elect to receive or not to receive for no additional charge. The Sirius talk group includes Sirius Left (liberal) and Sirius Patriot (conservative), Fox News Talk, and Road Dog Trucking.

15. Some of our entertainment channels, like our news channels, are programmed on a pass through basis. For example, Court TV Radio and the E! Entertainment channel are primarily programmed on a pass through basis. However, particularly where the originating source is a television network, we attempt to work with our established content providers to develop exclusive content or to create radio specific content in order to improve the experience for our subscribers. For example, during much of the day, Court TV Radio carries the same programming as would be heard (and seen) on Court TV itself. However, in conjunction with Court TV, we have created a new three hour live morning show – Court TV Morning with Vinnie Politan – that is exclusive to Sirius. Thus, in this situation, we have taken a well known and established brand from another medium and improved it for radio, at substantial expense to Sirius. We used our in-house expertise to develop the show, assisted in selecting the talent, provide funding for the production costs, provide studio space for the show's production, and provide technical and operational support.

### **The Howard Stern Channels**

16. By far the two most popular entertainment channels on Sirius (and, indeed, the two most popular Sirius channels altogether) are the two Howard Stern channels. The differences between the Howard Stern programming that appeared on terrestrial radio and the Howard Stern programming that now appears exclusively on Sirius illustrates some of the differences between terrestrial and satellite radio. On terrestrial radio, Howard Stern had a

weekday morning drive time show. Since he came exclusively to Sirius in January 2006, however, Howard Stern programming has appeared full-time on two channels, on a 24/7 basis. This programming includes not only a live morning show, but also other programming developed to appeal to the same audience, including strategic re-airings of the morning show, new call-in shows, shows hosted by the supporting cast on the morning show, etc. Thus, on satellite radio, there is freedom to provide a more comprehensive experience and more of the content that most appeals to listeners. Subscribers expect more content because they are paying for Howard Stern, which they previously received for free.

17. Enormous effort went into the creation of a Howard Stern value proposition that would maximize the conversion of Stern's terrestrial radio fans into Sirius subscribers. We explored numerous programming options and invested substantially in the Howard Stern channels – both tried-and-true moves such as the hiring of other talk talent appropriate for Howard's channels based on their previous terrestrial radio ratings experience, and new ideas that had never been attempted before such as the creation of the Howard 100 News team, a team of experienced reporters assembled by a television news director with the singular goal of reporting the news of Howard Stern's activities. Many of these elements required substantial investments in both time and expense. The success of this effort is confirmed by the fact Howard 100 and Howard 101 are rated No. 1 and No. 2 among all Sirius channels. A promotional release for a special Howard Stern worldwide event is SIR Ex. 29.

#### **Creation of Sirius Programming**

18. Sirius generates substantial subscriber revenue by offering non-music programming, particularly non-music programming from extremely popular brands, and non-music programming that is exclusively available on Sirius. In addition, Sirius generates a

second revenue stream through non-music programming, by selling on-air commercials to advertisers. Our goals are achieved by us offering the widest variety and most unique lineup of content. Our marketing differentiates Sirius from our competition by promising “The Best Radio on Radio.” To license and/or create programming that fulfills our business goals and satisfies consumer demand, Sirius must invest heavily in the recruitment, licensing, hiring, development, support and broadcast of our content, including a large number of non-music channels and shows to attract and satisfy various constituents among our larger target audience.

19. In allocating the substantial but nonetheless limited bandwidth that is available to Sirius, we target potential subscribers who are not already being served by Sirius or who could be better served by Sirius, so that we can increase our subscriber base. In making these determinations, we consider research and survey data, listener comments, demographic data, current media and entertainment trends, and the combined experience of the substantial group of radio programming experts employed by Sirius. My colleagues and I consider whether we can create a channel and a sound that will attract the new target audience and, we hope, create a “buzz” around the channel and a relationship between the channel and its audience. These factors are taken into consideration regardless of whether we are considering a news, talk or entertainment channel.

20. Historically, Sirius’ subscribers have been predominately male, and Sirius’ programming to some degree has reflected that fact. Sirius’ male-oriented programming became even stronger between 2004 and early 2006, when we added the NFL and Howard Stern. Our exclusive deal with NASCAR, which will begin in January 2007, is likely to strengthen our position with the male audience even further. With this in mind, we have

attempted to develop more programming that will appeal to women. Two of our principal efforts in this regard are Cosmo Radio, produced jointly with Cosmopolitan Magazine, and Martha Stewart Living Radio. Growing awareness of Sirius, growing demand for Sirius, and growing availability of the Sirius service is broadening our audience demographics.

21. The development and launch of Cosmo Radio was complex and time-consuming, but typical for our approach with brands and talent that are successful in other media and willing to expand into radio with Sirius. While Cosmopolitan is a very strong magazine brand and appealed to a young female demographic in which we were interested, the brand had not previously been expanded beyond print in any significant way. Thus, we were required to determine whether it would be possible to create a radio station out of the concept of the brand. Among other planning exercises, we attempted to determine what the format of a potential Cosmo radio station would look like. In other words, we considered how we would fill a programming day in a way that would be consistent with the established brand identity – which the brand owner had developed over many years and had a strong interest in protecting – but also would work on radio.

22. In this instance, we worked closely with the staff at Cosmopolitan Magazine so that we could learn about their brand and they could learn about radio. For example, some staples of content that works well in a magazine (e.g., lists of “25 ways to ...”), in my experience would not work well at all in radio; it is far better to have a detailed discussion of a single, more interesting or controversial topic. Likewise, many creative and valued contributors to the magazine, such as columnists, may not transition well to the unscripted, spontaneous, and oral world of radio. All of these considerations make the creation of a new radio station – even when starting with a strong brand such as Cosmopolitan – a difficult

venture. Moreover, even with the best planning, there is simply no substitute for trying out new ideas and new contributors, seeing how could they work for the audience, and thereafter, making changes as necessary to enhance the experience. We invested six months in off-air development, and later adjusted the format further based on listener response. Even now, as with all of the channels that we program, we continue to make adjustments to improve the quality of the programming.

23. Many of these same considerations were involved in our development of Martha Stewart Living Radio. Martha Stewart Omnimedia was successful in other media but had a history of “visual” presentation. Her company had a large group of accomplished experts who were enthusiastic about being on radio but who did not have any on-air radio experience. Thus, we provided extensive radio training. When Martha Stewart announced that she would have a radio channel exclusively on Sirius, the publicity was invaluable and created a high level of interest. Moreover, because of Martha Stewart’s presence in other media, and her credibility in the female demographic, she had the opportunity to promote the Sirius brand to women very effectively. As just one example, in order to address the concern that some of Martha’s fans might feel a technological aversion to Sirius, we have a link in the Martha Stewart Radio portion of the Sirius website where she explains the options for installing a Sirius satellite radio in a car.

24. The substantial investment in content development extends not only to partner channels but also individual shows. We work with many hosts who have been successful in other media but have never hosted their own radio show before. These hosts are chosen based on their appeal to target audiences and their innate creativity – Judith Regan, Candace Bushnell, Senator Bill Bradley, Richard Simmons, Barbara Walters, Jane Pratt, Jim Breuer,

Deepak Chopra, and a collection of actors from *The Sopranos*, to name some. Our development process remains consistent – to invest time and creativity to designing an appropriate radio premise, format and production strategy. Often, we produce several “rehearsal” shows to hone the concept before we launch on the air. As with Martha Stewart, the hosts’ celebrity helps garner substantial publicity for their show and Sirius overall.

25. While many of our entertainment channels are affiliated with established brands, in other instances we have sought to create our own brand. A prime example of this is Sirius OutQ, a channel developed exclusively by Sirius and targeted to the gay and lesbian community. The target audience is a “niche” that has never been served significantly in terrestrial radio. However, that same niche is extremely loyal and, as such, OutQ is the kind of unique station that can make a person decide to subscribe to satellite radio and convince that subscriber to continue paying for the service when it is time for renewal. As such, we consider OutQ to be both a creative and commercial success. Other niche stations – for example, the Catholic Channel and Road Dog Trucking – serve a similarly dedicated group of listeners. Talent and hosts for these stations are developed much as our other entertainment creations – we generally hire people who have expressed talent in other media and develop them into radio hosts. For example, our OutQ hosts include a former *Billboard Magazine* writer, a Comedy Central comedian, an author, and a personal advice columnist, to name some.

26. Some of our hosts come from terrestrial radio backgrounds but still require substantial investment in content and talent development in order to succeed on Sirius. For example, Andrew Wilkow, a conservative host from New York radio whom we hired for our Sirius Patriot station, underwent significant program development to adjust his format and

content to our demographic (younger, more active, and more national than the AM radio stations at which he had been successful before).

27. I have discussed the launching of Sirius talk and entertainment channels and shows. A substantial amount of effort also goes into maintaining shows (successful radio shows have long, long shelf lives of many years). I manage a team of six Program Directors, all with major-market programming experience, skilled in managing talent and talk formats. Each show and channel is assigned to one of these Program Directors, who spends his or her days working directly with talent, producers and production staffs to maintain and evolve the format, react to timely occurrences in the news, monitor quality of topics and guest bookings, create promotional opportunities, synergize with ad sales, and keep the teams motivated and enthusiastic.

28. Sirius also carries channels in its "Family and Kids" category (Radio Disney, Discovery Channel, Radio Classics) and "Religion" category (The Catholic Channel, EWTN Global Catholic Network, and Christian Talk). These channels, in line with our other talk and entertainment channels, contain a mix of "pass through" programming and originally-produced exclusive content.

29. In making programming decisions, my team and I rely most heavily on our professional judgment and extensive experience with what works in talk and entertainment programming – an intangible skill that comes through years of seeing exactly what does and does not appeal to listeners. Based on that judgment and experience, I look at the pool of available programming and select the programs that flow best with the other programs on a particular channel to achieve a consistent sound and draw a large audience. For personality-

driven programs, we often look for up and coming talent who would fit within the confines of a particular format. In many cases, we find personalities from other media or other walks of life and train them into radio, because there are no available radio hosts appropriate for a particular initiative. I attempt to include a consistent blend of various hosts who complement each other, yet stay true to the focus of the channel.

30. I also buttress my programming decisions with research. Sirius carefully evaluates each station, generally on a semi-annual basis. Among other parameters, we evaluate frequency of listening, satisfaction, how likely a subscriber is to talk with others about a particular situation, and how likely a subscriber would be to cancel Sirius service if a particular channel were discontinued. Listener feedback is another very important input into Sirius content programming decisions. Sirius takes that feedback very seriously and has used it to adjust its programming. We monitor calls and emails to particular shows, levels of calls to talk shows during certain topics and contests, and calls and emails to our Sirius Customer Care department. I also personally speak to subscribers whenever possible, at promotions and events, and on the phone.

31. Listener feedback has influenced our programming decisions. We have discontinued certain channels based on low levels of satisfaction and enthusiasm. We have also adjusted formats within a channel based on listener feedback. Our Cosmo Radio station is now much more focused on "relationship" topics as a category of content, as a result of listener response.

32. As much time as it takes to develop new shows and channels, Sirius also has the ability to move very quickly based on market needs or creative ideas. For example, we are

creating a one-day radio station called "Sirius Halloween Radio", that will air only on Halloween, providing a soundtrack of fun, scary sound effects for listeners during trick or treating or office parties.

### **Sirius Comedy Channels**

33. Sirius has three comedy channels: Blue Collar Comedy, Raw Dog, and Laugh Break. Each of these stations has a different sound and features a different kind of humor. Blue Collar Comedy is based on the successful brand of the Blue Collar Comedy Tour. Raw Dog is uncensored comedy, allowing subscribers to feel that they are in a stand-up comedy club. Laugh Break runs the gamut from classic Bob Newhart and Bill Cosby routines to Jerry Seinfeld and Monty Python's Flying Circus, and is family-friendly and kid-safe. We augment these channels with original content, such as the daily Jim Breuer Unleashed radio show on Raw Dog, starring former Saturday Night Live comedian Jim Breuer. All three Sirius comedy channels are very popular (particularly Raw Dog, which is among our most listened-to stations) and all three are produced in-house by Sirius under my direction, although they include recorded performances. Based on minutes, we have estimated that 83% of Blue Collar Radio, 81% of Laugh Break and 71% of Raw Dog programming uses commercial recordings.

### **Sirius Traffic and Weather Channels**

34. Sirius provides traffic and weather information for twenty major metropolitan areas on Channels 148-58. While this is a significant commitment of bandwidth, Sirius is first and foremost a service that subscribers enjoy when they are traveling in their cars. Therefore, it is important for subscribers, including those on extended road trips, to have at their fingertips the latest traffic and weather information and driving conditions in the areas where traffic is generally most congested.

35. Sirius also has a National Weather and Emergency channel. The primary content is provided by the Weather Channel, covering weather for the entire country. In the event of a civil emergency or major weather event, the Sirius Emergency Desk, staffed by Sirius employees 24 hours a day, year-round, broadcast specific alerts, evacuation information, disaster information, shelter locations, and more. This channel is the one channel that will broadcast on all Sirius radios even if the subscription is not activated.

#### **Preemption of Talk and Entertainment Channels**

36. Despite the number of channels we have at Sirius, bandwidth is still a limited resource. Thus, for example, on fall weekends when our sports department is broadcasting large numbers of sporting events simultaneously (e.g., college football on Saturday afternoons and the NFL on Sunday) programming on some of our news, talk and information channels is preempted to allow play-by-play coverage of sporting events.

#### **Use of Music on Talk and Entertainment Channels**

37. A few of our news, talk and entertainment channels fill some time with recorded music. Sirius OutQ frequently plays music during weekends and overnights, Road Dog Trucking features a music block for two hours every afternoon, while Maxim Radio, Radio Disney, Radio Korea and Cosmo Radio include music in their mix of talk and phone calls. The remaining news, talk and entertainment channels generally do not feature recorded music.

### **Importance of Programming in Enhancing Subscriber Appeal**

38. My testimony illustrates that, unlike services like Music Choice, which offer programming that consists entirely of music, Sirius offers listeners a significant array of news, talk, and entertainment programming in addition to its music channels. As I have discussed, Sirius places tremendous value on that programming and has devoted considerable time, energy, creative and technological effort, and financial resources to maximizing the appeal of those channels to attract and maintain subscribers.

39. The power of news, talk and information programming to induce consumers to purchase and continue to subscribe to Sirius' service cannot not be underestimated. Radio has a long history of being driven by "non-music" content - making a personal connection to its listeners beyond simply playing songs, in a tradition that is still true today. Radio gained initial popularity by presenting news, sports matches, radio dramas and comedy. Radio continued to grow through stars - the legendary disk jockeys such as Wolfman Jack; then through the creation of two-way telephone talk that allowed people to share conversations, opinions and advice with wide audiences. Radio has always brought communities together through words, stories and stars. Sirius incorporates all of those traditions - including the biggest star in radio, Howard Stern - in its news, talk, entertainment and other non-music offerings. Sirius then uses its technology, breadth and nationwide coverage to offer the best in radio, in an even better way than terrestrial radio, for example, by offering talk radio for previously underserved groups such as women and niches. Our data and empirical experiences show that our subscribers focus on non-music stations with particular passion. Most of the "top reason I chose to subscribe" responses from subscribers, relating to specific content, name non-music content, such as Howard Stern, the NFL, NASCAR, NPR, Fox News and

others. Our subscriber growth has gone hand in hand with dramatic growth in non-music channels developed by Sirius featuring strong brands and unique, exclusive content. Our substantial investment in the people, partnerships, time, and risks associated with creating new original content has been imperative to our differentiation from our competition, our growth in awareness and ultimately our growth in subscriber and advertiser revenue.

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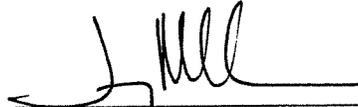
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Adjustment of Rates and Terms for  
Preexisting Subscription and Satellite  
Digital Audio Radio Services

Docket No. 2006-1 CRB DSTRA

**DECLARATION OF JEREMY COLEMAN**

I, Jeremy Coleman, declare under penalty of perjury that the statements contained in my Written Direct Testimony in the above-captioned matter are true and correct to the best of my knowledge, information and belief. Executed this 30<sup>th</sup> day of October 2006 at New York, New York.

  
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Jeremy Coleman