

Before the
COPYRIGHT ROYALTY BOARD
LIBRARY OF CONGRESS
Washington, D.C.

In the Matter of)
)
)
) Docket No. 2006-1 CRB DSTRA
Adjustment of Rates and Terms for)
Preexisting Subscription and Satellite)
Digital Audio Radio Services)
)

WRITTEN DIRECT TESTIMONY OF STEVEN BLATTER

(On Behalf of Sirius)

Background and Experience

1. My name is Steven Blatter, Senior Vice President of Music Programming, at Sirius Satellite Radio Inc. (“Sirius”). My whole 20+ year career has been in radio, primarily in programming, but also in marketing, promotion and online. I have worked as a Program Director for local terrestrial radio stations in New York and Los Angeles, as well as in national syndication and network operations. For the last three years I have been employed by Sirius, beginning as a Vice President and moving up to Senior Vice President approximately two years ago. As I will explain below, Sirius is not just radio, but we are a special form of radio that offers a great deal more than traditional radio, adding enormous value for both listeners and record companies and providing access to creative works not otherwise available.

2. I am responsible for the content of all 64 of the Sirius music channels created in the United States and my testimony will focus on them. Sirius also carries five

music channels created in Canada, but my testimony focuses on the area where my knowledge is greatest. I supervise approximately 200 employees, including two senior directors, each of whom is responsible for about half the music channels, several directors who each handle a genre or two, format managers who handle one to three channels, and coordinators who put the music into playable form for our operation. I also supervise a team of producers who create all the interstitial elements heard between the songs on each of our channels, as well as our talent and industry relations group, whose primary function is to work with the music community to arrange artist interviews and live performances that typically originate from our broadcast studios in New York. I also work with agents, managers, and the Sirius human relations department in recruiting our on-air talent, producers, programmers and other creative staff.

3. In addition to my supervisory role, I am responsible for determining the formats for each of our music channels, the creation of new radio formats, as well as channels and programs we co-produce with recording artists such as Eminem, 50 Cent, Little Steven Van Zandt, Jimmy Buffett, The Rolling Stones and The Who. The channels and programs we co-produce with these artists contribute greatly to the Sirius listening experience and give our listeners access to music not available on terrestrial radio.

4. My entire career has required me to deal directly and extensively with recording companies and their executives and radio promotion teams. It has been important for me to understand their motivations and business models, as well as those of my employers in terrestrial radio. At Sirius I have continued to interact directly with the record labels and also to supervise persons who interact with record labels on a daily basis. I have directly observed what does and does not motivate the labels and have

participated in two decades of discussions with them. I also pay close attention to label activities by regularly reading trade press.

5. My career has required me to understand how Americans use the radio medium. The appeal of radio stations, including Sirius', is measured by the popularity of a station with its targeted audience. The job of a radio programmer is to identify the target audience of a particular channel, understand what attracts them, and develop a full experience that engages that audience. Again, I have observed the process for two decades, seeing what does and does not work for my own employers and for competitors. I have also paid close attention to the trade press over the years where the actions of Programmers are closely monitored and documented. I also supervise and work with the extensive listener research we conduct to evaluate new formats and identify the most attractive music for those formats.

Summary of Testimony

6. Each of Sirius' 64 music channels offers a listening experience that is designed to create a highly satisfactory listening experience for the intended audience of the channel. We put enormous resources, effort, and creativity into crafting each of our 64 music channels. Creating the experience that a Sirius channel delivers is a demanding and expensive task. Beyond the huge investment in technology, physical infrastructure, and financing lies the creative input of dozens of radio professionals, ranging from those who develop the basic channel concept, to the channel programmers that select and, for most channels, direct the hosts or DJs who provide commentary, and select and sequence the music for each hour of the day. There are also producers who write and create all the interstitial material heard between songs that help create the attitude for each channel. In

addition, promotions are developed on the appropriate channels to further enhance the listening experience. We make this enormous effort because we are acutely aware that music, as such, is widely available for free, particularly on terrestrial radio. The value created in producing our music channels is critical to our ability to attract and retain subscribers.

7. The distinctive music formats for each of our 64 music channels are determined through proprietary research and the past experiences of our expert programmers. Our research uses both on-line and in-person survey formats, as well as review of the trade press and other public sources. Each radio station is built by populating a library of music for the channel. This library is maintained and updated using our own listener research as well as public sources such as the trade press and information from record company promoters, as I discuss below. Criteria such as tempo, texture, loudness/softness, familiarity, popularity and compatibility are used to determine the viability of each song being considered for airplay.

8. The music library for each channel is actively managed and modified by a music programmer on a daily basis. Within the station's music universe, programmers arrange particular pieces with an eye to the characteristics of each (e.g. tempo, era, gender, and lyrical content), along with special programs (such as artist interviews, live performances and countdown shows), so the DJ/host can develop the specific listening experience that attracts subscribers to that station. Importantly, the Sirius experience can be sustained and intensified because, in contrast to terrestrial radio, it is not interrupted by commercials. This also creates greater listener satisfaction and helps us attract and retain subscribers even though music is available for free on terrestrial radio.

9. Airplay on radio has continually proven to be the biggest driver of record sales. As a result, record companies have large operations specifically charged with obtaining radio airplay, typically organized with regional operations under national direction. They also use independent promoters to encourage radio programmers to play their music. Record companies give Sirius and other broadcasters their recordings for free, often weeks before public release, in hopes of generating pre-release demand. The labels know from experience that it is incredibly difficult to break a new album without extensive airplay. Many of the most influential executives at the major labels tend to be those who have demonstrated an ability to get music played on the radio. In my career in radio programming, culminating in my position in charge of programming the 64 U.S. Sirius music channels, the drive of record labels for airplay has been a constant theme.

10. Satellite radio is, of course, a form of radio. Sirius competes for listeners with and is directly comparable to terrestrial radio. We do everything terrestrial radio does and more. The major record labels rely on their radio promotion operations to work with Sirius, typically from their national office or as part of their New York regional effort. Both listeners and the labels think of Sirius as a form of radio. Sirius airplay now is reflected in chart positions in Billboard, its sister publication Radio and Records, and Mediabase. In trade advertising created by many record companies that target terrestrial radio programmers, airplay on Sirius is now expressly noted.

11. Although Sirius is a form of radio, it offers significant additional promotional benefits to record companies that terrestrial radio cannot provide.

- Unlike most terrestrial radio, as each song plays, Sirius continuously displays the title and the artist on its digital display. This makes it easier

for a listener to remember the song and artist that is playing. Over the years the record labels have expressed their concern with traditional radio's inability to provide such information for each song played. In addition to not having the technical capabilities to display such information, traditional radio DJs often strive for pace and tend not to verbally identify the music they play.

- All music radio stations strive for a distinct "stationality" that adds to the listening experience. Because Sirius has many channels, stationality can be much more targeted than traditional radio. Also, the absence of commercials means the Sirius aesthetic experience is more sustained and fully developed. Music heard in this context allows us to create an even more satisfying listening experience. The greater listener satisfaction explains why subscribers are willing to purchase Sirius radios and pay subscription fees when music can be heard for free on terrestrial radio.
- Sirius' 64 music channels include specialized formats that let us play new or emerging artists that are not yet popular enough to be included on the playlists of terrestrial radio stations that cover relatively broad formats. Record company promoters are very aware of our specialized channels and systematically attempt to place emerging artists on more specialized channels, long before they might appear on terrestrial radio.
- Sirius gets much deeper into the catalog than terrestrial radio. With 64 channels of music, each channel can be more specialized and dig down to music terrestrial radio would never use. This exposure is to persons who have selected that specialized channel and, hence, are most likely to appreciate and purchase that music.
- Because our music stations are supported by subscription fees, not advertising, we can serve listener interests, providing mixes of music that often do not fit with the advertising interests of banks, automobile dealerships, supermarkets, and other businesses that provide the core advertising for local terrestrial radio stations. Our music channels are listener driven, not advertiser driven.
- The availability of 64 distinct stations seems to encourage an active process of listener choice, perhaps because the choice is more meaningful. One of the 64 Sirius channels is more likely to satisfy a particular listener's interests than one of a half-dozen ordinary formats. As a result, Sirius listeners seem to be more engaged, and they more quickly become familiar with the music Sirius plays.

12. Because of my job and experience, my testimony will focus on the Sirius music channels and on dealings with the record companies. I will discuss how

developing and presenting those channels is, in itself, a highly creative, demanding, and expensive process. Importantly, however, that is just a part of our overall business. To make music channels possible, enormous technical, regulatory, and financial challenges must be overcome. And to make music channels feasible, a large pool of subscribers must be developed, requiring extensive and expensive marketing efforts and a huge investment in the kinds of distinctive and exclusive non-musical features, such as Howard Stern and the NFL, that drive subscriptions. In short, as shown in the web pages that are SIR Ex. 28, musical recordings are just one component of the value we deliver, and our contribution is just one part of the whole.

The Sirius Music Channels

13. SIR Ex. 24 is a current list of all Sirius channels with a quick identification of their offerings. Of those, 69 are music stations without commercials (64 are produced by Sirius in the US; the other five are produced by our Canadian affiliate). Printouts of the web pages of some of these channels are found at SIR Ex. 27.

14. Of those music stations, some are devoted exclusively or almost so to music recorded before 1972. These include Sirius Gold and 60s Vibrations.

15. Other music stations make substantial use of pre-1972 recordings (approximately 50% or more of the recordings played). These include:

- Classic Vinyl
- The Vault
- Rolling Stones Radio

- The Who Channel
- Sirius Blues
- Standard Time
- Broadway's Best.

16. Additional Sirius music channels use a significant amount of pre-1972 recordings (approximately 25% or more of the recordings played). These include:

- Movin' Easy
- Underground Garage
- The Roadhouse
- Soul Town

17. Our music channels are not limited to recorded music. We have studios for live performances, and hundreds of such performances are broadcast each year.

18. We also have developed channels and programs in conjunction with well known artists such as Jimmy Buffett, Eminem, 50 Cent, Steven Van Zandt, the Who, and the Rolling Stones, as well as the Metropolitan Opera. In addition to bringing their creative talents to bear on shaping the overall listening experience, these artists also make available a range of unreleased recordings that listeners otherwise could not access. For example, The Who channel broadcasts two hours per day of live music that is not commercially available; Met Opera Radio broadcasts about 12 hours per day of pieces that are either live or recordings exclusive to radio on Sirius, and Radio Margaritaville airs about three hours per day of live songs.

19. Sirius has carefully chosen the formats of its 64 U.S. music channels to provide a breadth and quality of musical choice that is not and inherently cannot be provided by traditional radio.

20. A given station or channel must have enough listeners to be economically viable on a local market level. (Even public radio faces funding constraints.) Sirius can reach millions of subscribers with its national signal, and that number is growing. Our national audience is large enough to support many different musical channels with distinctive formats.

21. By contrast, the audience in typical local markets for terrestrial radio is much smaller, so that only a few channels and formats can be supported. The tendency is for each market to sustain several stations with formats intended to appeal to large audience segments, perhaps with a few specialty formats supported by institutions such as colleges or by local ethnic concentrations. Even in a major urban area such as Washington, D.C., it is difficult for most listeners to terrestrial radio to receive more than 15 different music formats, and the selections in much of the country can be far fewer.

22. Some of the omissions forced by the constraints on terrestrial radio are striking. For example, the two largest local markets in the U.S., New York and Los Angeles, lack any country music format. Eight of the ten largest U.S. markets lack a dance music format. Of the ten largest markets, only New York and San Francisco have dance stations. Five of the ten largest markets now lack an oldies format. Finally, four of the top ten markets (Philadelphia, Houston, Detroit, and Atlanta) do not have a classical music station. One can readily imagine the situation in the great majority of traditional

U.S. radio markets where there may be only four to ten quality music channels versus the 69 available on Sirius.

23. The constraints imposed by the limited number of signals interacts with the constraints imposed by the fact that terrestrial radio is advertiser driven. The types of businesses that provide the revenue backbone for terrestrial radio are led by the demographics of their best customers and by considerations of image to focus on certain music formats. For example, a single format focused on playing both alternative rock and hip-hop will likely produce listeners who are 16 to 24 year old males. In most markets, it is extremely difficult to find enough local advertisers interested in that demographic to support a financially viable local radio station. Further, music tastes for most consumers are defined during teen years and terrestrial radio is losing this audience during this critical period. This is clearly demonstrated by the declining usage of terrestrial radio by younger demographics across America. Sirius currently dedicates 10 of its music channels to younger demographics, including Sirius Hits-1, Octane, Alt Nation, Hard Attack, Faction, Hip Hop Nation, Shade 45, Hot Jamz, Revolution and Kids Stuff.

24. In all markets, and particularly in smaller markets, satellite radio provides access to music that listeners would otherwise never encounter and, hence, would have no opportunity to come to like or to purchase. Sirius thus greatly expands the musical opportunities of its listeners. In addition to the “young demographic” channels described above, Sirius offers numerous channels dedicated to styles of music that are typically not available on terrestrial radio, including: Classical, Reggae, Standards, Dance, Classic Country, Outlaw Country, New Age, Jazz, Jam bands, Garage Rock, Heavy Metal,

Electronic, Gospel, Broadway/Show Tunes, Blues, Christian Pop and Rock, and Bluegrass. By expanding the musical opportunities of listeners in this way, Sirius provides airplay (and ultimately, sales and resulting royalty payments) for artists who likely would not be heard on terrestrial radio.

Creating and Maintaining a Sirius Music Channel

25. Each Sirius music channel starts with a distinctive format developed to attract and hold the loyalty of a viable audience segment. The format may be a particular musical era (e.g. the 50's), genre (e.g. opera or hard rock), artist (e.g. The Who, Rolling Stones), or a desired mood (e.g. romance, relaxation, or party time). In each case there is a clearly defined format, which shapes the channel in multiple ways.

- The format defines the universe of music the programmers will draw upon, for example, opera, hard rock, or show tunes.
- The format also helps define the overall energy level of the channel – whether it is edgy and energetic or laid back and mellow.
- The format suggests the appropriate hosts or DJs for the channel and guides their style of announcing. An alternative rock station calls for different personalities and styles than standards from the 40s. Sirius makes a major investment in identifying and recruiting top quality and highly experienced on-air talent, and our programmers and other creative workers support that talent.
- With two exceptions, the format of a Sirius music channel also includes production elements or interstitial pieces heard between the songs that further position and image the channel for the intended audience. Channels have their own station voice and slogans, while others also employ custom singing jingles that help enhance the mood of the channel.
- The format for a channel also guides the types of special programming that may be created and scheduled. Artists often participate in interviews and host special programs such as countdown shows on our more foreground formats like Top 40, modern rock, new country and hip-hop.

A station with an edgy or party persona can use contests that would not work as well on a classical station.

- All of these factors work together to enhance the stationality of each station, make the listening experience more attractive to the target audience, and permit meaningful and satisfactory channel choices by the listener.

26. Selecting music to implement the format is a difficult and ongoing task carried out by our music programming specialists. It is not enough just to rotate down an alphabetical list of pieces that are within the universe defined by the concept. Nor will random play work. Instead, programmers who are deeply familiar with the universe of music bring both scientific and artistic judgment to bear to create a musical flow and mood.

- For example, tempo is important. Too many slow or fast pieces in a row often may be boring, though sometimes may create and sustain a mood. Rapid alteration may be jarring.
- Other qualities of the music also must be considered. It may be undesirable to string together a series of artists with a given characteristic – male, female, group, duets.
- The themes and story lines of songs also must be considered. Putting the wrong songs in sequence may produce unintended effects ranging from jarring to humorous.
- We utilize software called MusicMaster that helps in the rotation and sequencing of songs for each music channel. While this software helps programmers manage their music libraries and facilitates the music scheduling process, it is no substitute for the informed judgment of programmers with in-depth knowledge of the genre. In fact, every hour of music scheduled across all 64 Sirius music channels is carefully reviewed and hand massaged by a Sirius programmer before it airs.
- We also do substantial listener research in an effort to understand how our formats are perceived and what appeals to various listener groups. For example, we regularly conduct surveys, either on-line or in person. We back that effort up with research into what is working in terrestrial radio. This includes our own review of publicly reported charts and airplay information from sources such as

Mediabase. And, as I discuss below, record company promoters provide airplay and other information to our programmers on a regular basis.

27. Hosts or DJs must understand the music, the audience, and the flow of the program. Sometimes humor is called for, sometimes not. Often the needed humor is a light quip, sometimes it is a raucous rant. Some channels call for an emphasis on facts; on others the host must emote. Everything that is said must implement the format of the channel and enhance the overall listener experience. As already noted, Sirius hires top quality on-air personalities to present music and provide our listeners with additional information about each artist and song played in a passionate and engaging manner. We also give our on-air personalities extensive direction and other support to help them best communicate to their audience.

28. Special programming such as live performances, interviews, contests, and the like can be important, but must be carefully tailored to the channel and its format. Artist interview bookings and on-air promotions are handled by two distinct departments with approximately ten employees who are charged with creation and development of such programming.

29. A channel must be promoted, both to current listeners and to others who may become regular listeners if they sample the channel. This requires a variety of tactics.

- The channel must have a short name that captures its format. For example, "Hard Attack," or "Chill."
- Typically a distinctive logo is developed that must be associated with the name so as to permit instant visual identification.

- The name and logo must be supported by additional catch phrases or similar items that are used repeatedly and that become associated with the channel. Some of these may remain in use for years. Others may become stale and be rotated out.

30. Sirius devotes resources to all of these matters because experience has shown that they are critical to satisfying listeners, and they fundamentally shape how listeners perceive and respond to the music. In the right restaurant, with the right ambiance and menu, a diner may find escargot delicious and even be motivated to try serving it at home. But in other situations, the same diner might find the same snail unappetizing or even revolting. Much the same is true of music. Sirius works with music, but that is just a small part of the experience a Sirius channel delivers.

How Sirius Benefits Recording Sales

31. Most consumers typically do not decide to purchase music based on a story in a newspaper or magazine; the music industry understands that radio airplay is the number one driver of recording sales. Of course, some artists have established followings that wait for their next release. It is also possible to sample CDs at record stores and online. Still, the simple fact is that radio airplay sells music. Certainly the record labels believe this, leading to their extensive efforts to obtain airplay that I discuss later.

32. Sirius provides all of the promotional benefits of terrestrial radio exposure, but even more so. For example:

- Sirius displays the name of the artist and song continuously during play. If the listener is interested, he or she does not have to try to remember what the DJ said before play began or hope that it is mentioned after play ends. The information is immediately available when desired.

PUBLIC VERSION

- Because Sirius offers 64 music channels with distinct and defined formats, it is much more likely that a listener who has chosen a given channel will be attracted to music played on that channel. By contrast, terrestrial radio typically offers fewer and less defined choices, so listeners may be much less attracted to music the station plays.
- Music within a given format is presented in an optimum setting in terms of surrounding pieces, hosting, and overall station personality. The experience will also not be preceded or followed by jarring commercials. This gives the music the best possible opportunity to appeal to the listener. Thus, the value we add provides a direct promotional benefit to the record companies, as well as to our listeners.
- Sirius' 64 different and distinct music channels allow us to go much deeper into the music catalog. A terrestrial station with a broad format has to look for material that will appeal to a relatively broad audience. By contrast, the self-selected group listening to a more focused Sirius channel is more likely to appreciate music within the format that has less general appeal.
- Similarly, our specialized channels allow us to play up and coming artists who are often not receiving airplay on terrestrial radio stations with broader formats. This exposure can give impetus to the emerging artist and lead to broader exposure. There have been situations in which Sirius airplay of an unsigned artist has led to a contract with a major recording company. For example, the band Evans Blue was signed by a major label after their self created album received airplay on Sirius' Octane channel. In such a situation, the recording company gets an artist that has already proven itself on the radio and increases the likelihood of the band receiving airplay elsewhere.
- The care and resources we devote to programming, and the specialized nature of many of our channels, augment the reputations of our DJs or hosts. As they become opinion leaders for their audiences, their favorable views of an artist or song can be very influential in motivating sales. Approval from such an opinion leader provides promotion that is likely to be more effective than paid commercial advertising by the record labels.
- Ratings by third party providers do not drive our music programming decisions, so that Sirius is free to take more chances with new music, emerging and unknown artists, and music that has not yet climbed the national music charts.
- A Sirius subscriber typically will be someone who values Sirius broadcasts enough to pay for them and, moreover, will have money to spend for music entertainment. Such a person is an attractive potential customer.

33. Chart position has an important effect on music sales. Some customers are directly motivated to purchase highly charted music. But beyond that, many terrestrial radio stations rely on chart position to select the universe of music their station will play. The most obvious is a “Top 40” station, but other types of station formats focus on music that presently is relatively highly charted.

- Airplay on Sirius now is taken into account when weekly charts are compiled by Billboard/Radio & Records and Mediabase, the two primary sources for chart information used by record labels and radio programmers. When Sirius plays a song, its spin count increases and chart position is affected. When a song’s spin count and chart position increase other programmers are more easily encouraged to play the song, and that ultimately drives greater record sales.
- Also, Sirius is recognized as a leader in music selection. SIR Ex. 19 contains examples of record company advertising that emphasizes airplay on Sirius as a reason that other programmers should expose the work or artist. When our leadership causes terrestrial radio stations to play a particular song, the result is higher chart position for that song.

Promotional Efforts By Record Companies

34. Record companies are acutely aware of how important airplay is to generating record sales, and they go to great lengths to seek it. This has been going on since long before I became involved in radio. Efforts directed at Sirius have continued and intensified during my time at Sirius as our listener base expands and as the record companies become more aware of the unique benefits Sirius offers.

35. To begin with, the record companies consistently provide music recordings to Sirius for free, in the obvious hope that we will play and thereby promote what we have been provided. In fact, we often receive songs weeks before public release

in the hope that airplay on Sirius will generate interest and demand before the album is commercially released.

36. Recording companies have divisions devoted to obtaining radio airplay for their releases. Typically these divisions are organized by region with a national operation to supervise and assist as needed. Some companies have separate “new media” promotional groups, but Sirius now is virtually always the responsibility of the radio promotion departments. Either Sirius is assigned to the national group or to the New York regional promotion person.

37. Record industry promoters aggressively communicate to our programmers their desire for us to play their music. These efforts are part of carefully calculated promotional efforts. The promoters will promote particular songs for particular channels, making a case that a given song will succeed with the channel’s audience. The record company promotional representatives are under tremendous pressure to seek airplay on radio. When a radio programmer does not agree with a record label promotion person, it is not unusual for the promotional rep to escalate the call to the programmer’s supervisor and at times to me as the head of music programming. On occasion these calls can get contentious, reflecting the high value the record companies place on radio airplay and the pressure their promoters are under to get music played on Sirius.

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39. Record companies often complain that terrestrial radio stations have very limited playlists. But terrestrial radio, which has to play music that appeals to relatively broad audiences, typically cannot afford to play pieces with narrow appeal. The record companies know, however, that many of our channels are more specialized. They initially will promote newer artists for more specialized stations, hoping that they will generate interest in their most likely audience and, perhaps, eventually graduate to broader formats and terrestrial radio.

40. In an effort to gain airplay, record company reps will often make their artists available to participate in special programming that will air exclusively on Sirius and also provide prizes for use in on-air promotions. For example:

- Sirius adds value by arranging for artist interviews and live performances from our studios. The record companies regularly arrange for appearances by artists we are willing to play. For example, from January 1 through October 18 of this year, over 800 record company artists visited our studios for

interviews and/or performances. These events add value for our listeners, but also gave promotional value to the record companies.

- On some stations Sirius conducts contests. Record companies will regularly provide prizes to support such contests, including CDs and concert tickets.

41. Record companies are so strongly motivated to obtain play on Sirius that we have to set limits on what is acceptable. For example, I will not approve accepting free travel to view artists in concert. In fact, over the years record companies have pushed so hard for radio airplay that legal restrictions have been adopted. The New York Attorney General, Eliot Spitzer, has recently obtained consent decrees from major labels restricting some of their promotional practices directed toward obtaining air time. On October 20, 2006, the *New York Times* carried an article entitled “CBS Radio Tightens Policies in Settlement Over Payola” that briefly summarizes some recent developments, noting that such issues arise as “music executives compete fiercely to land their songs on limited radio station playlists.”

42. Record companies typically focus their promotional efforts on new music, rather than their existing catalog. As a result, a vast array of older music is unknown, and thus effectively unavailable, to many listeners. Our specialized formats dig much deeper into the catalog, exposing older songs to the public. And, of course, the record companies benefit from resulting sales on which they expended no promotional effort.

43. The labels explicitly recognize our promotional contributions. Sirius frequently receives thanks from record companies and their artists for our contributions to their success. Indeed, when record companies issue gold or platinum records to recognize sales milestones, they sometimes send them to radio stations, and we regularly receive such gold or platinum records at Sirius.

Conclusion

44. In short, developing and implementing a unique and compelling radio format for all 64 commercial-free Sirius music channels is a highly creative and demanding process, even after the many technical, promotional, and financial challenges have been overcome. Our expert music programmers, celebrity hosts and DJs, producers, and on-air promotion and talent executives add enormous value to our music offerings. This added value both provides our subscribers with the reason to pay our fees and makes us a tremendously valuable marketing tool for the recording industry, as evidenced by the record companies' constant and increasing promotional efforts.

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DECLARATION OF STEVEN BLATTER

I, Steven Blatter, 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 30th day of October 2006 at New York, New York.



Steven Blatter