

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 CHRISTINE HEYE

(On behalf of Sirius)

Background and Experience

1. My name is Christine Heye. I am the Vice President, Research for Sirius Satellite Radio Inc. (“Sirius”), a position I have held since July 2002. As Vice President, Research, I am responsible for the research that is undertaken by Sirius concerning its subscribers and their listening habits and preferences.

2. I have spent virtually my entire career in the field of consumer research. I graduated from William Paterson College in New Jersey in 1979 with a Bachelor’s Degree in sociology. I later obtained a Master’s Degree in social research from the Hunter College of the City University of New York. I have held positions in the consumer research departments of several Fortune 500 companies, including Bristol Myers, Best Foods, and Nabisco. Immediately prior to joining Sirius in 2002, I spent nearly eight years at Viacom, where, among other positions, I was Vice President and Director of Research for Nickelodeon. I am a member of the

American Association of Public Research. I have also spoken on numerous occasions to industry groups regarding research-related issues.

Summary of Testimony

3. The purpose of my testimony is to describe briefly the research that we undertake at Sirius to understand our subscribers and their purchasing decisions and listening preferences. When I joined Sirius in July 2002, Sirius was just going on the air and the subscriber base was small. As Sirius' programming has changed and the company has developed, the subscriber base has increased to over 5.1 million subscribers as of the end of the third quarter of 2006. Accordingly, we now have an extremely large database of subscribers with whom to conduct research. As described below, we presently undertake two major surveys on a semi-annual basis. The first, the Consumer Satisfaction Monitor, covers all aspects of the subscribers' relationship with Sirius. The second, the Listener Survey, focuses on listening habits and interests of subscribers and, in particular, the programming that attracts them to Sirius. In my view, both of these studies are well designed and provide a wealth of information concerning Sirius subscribers, as described below.

Background of Sirius Research

4. Understanding our subscribers is critical to serving them and ensuring that they continue to subscribe to Sirius. My department works closely with Sirius' executive management and our outside vendors to develop comprehensive and accurate data and analysis.

5. From a research perspective, Sirius starts with an advantage because, as a subscription-based business, Sirius has a database of all of its customers. Although the particulars will vary depending upon how a subscriber begins his or her relationship with Sirius

(e.g., through purchase of a vehicle equipped with a Sirius satellite radio, through purchase of a radio at a consumer electronics retailer such as Best Buy, or through a direct purchase of a radio on our website), we will typically obtain certain information regarding that customer at the time of radio activation, including name, address, and telephone contact. Nearly 70% of our subscribers also provide an e-mail address. Because Sirius radios are individually identified and tied in the database to a particular subscriber, we also know what type of radio the subscriber has and the mode of acquisition (e.g., with a new car, from a retailer, etc.). Sirius considers all of this data to be highly proprietary and it is disclosed only on a limited basis for research purposes pursuant to written agreements.

6. There are several steps that we typically undertake prior to drawing a sample from the subscriber database for a research study. Among other things, we typically de-duplicate the subscriber list to eliminate multiple accounts for the same subscriber. We also typically eliminate our commercial and Hertz rent-a-car accounts, as well as accounts where there are billing issues. Consistent with standard industry practice, we also typically exclude subscribers who have been surveyed recently (e.g., within the last year), in order to avoid the theoretical possibility that participating in the first research might skew the results in the second. Finally, we recently have excluded subscribers who are in the prepay period of a subscription that is based on the acquisition of a Sirius radio with a new vehicle. It is my understanding that, at least in some instances, Sirius is contractually limited in its ability to contact these subscribers. The particular exclusions and methodologies may change based on the needs of a particular survey; however, in all situations, our intent is to obtain the most accurate and reliable responses to the survey questions.

7. Sirius typically partners with an outside survey research firm in conducting research. The firms we use for this purpose are always well-known, established companies in the industry. Thus, for example, Sirius has contracted with GfK/Roper Group since late 2003 for the Customer Satisfaction Monitor and with Taylor Nelson Sofres PLC for the most recent Listener Survey.

8. I work closely with Sirius' executive management in formulating goals for each research project. I also work with both the independent research firm and Sirius' executive management in developing the research instrument and with our information technology group in specifying the sample drawn from our subscriber database as described above. After the field research has been conducted, I then work with the research firm in preparing the written report to management on the results of the research.

The Customer Satisfaction Monitor

9. The Customer Satisfaction Monitor is a survey that Sirius has undertaken in various forms since 2002, shortly after I first joined the company. It originally was conceptualized as a quarterly study, but more recently been undertaken on a semi-annual basis. A copy of the report for the most recent Customer Satisfaction Monitor (completed August 28, 2006) is SIR Ex. 20; the questionnaire for that study is SIR Ex. 21.

10. As stated in the report (at 3), the objective of the Customer Satisfaction Monitor is to assess subscribers' overall satisfaction with respect to multiple aspects of the Sirius service, including programming, signal reception, customer service, retail sales, installation of radios, radio hardware, and the Sirius website. Because the survey has been conducted over a period of

time, management can use the survey to examine trends and, in particular, identify areas of decline so that appropriate remedial measures can be instituted.

11. Detailed information regarding the methodology of the Customer Satisfaction Monitor (e.g., sample sizes, exclusions, phone vs. e-mail, etc.) appears at page 4 of the report.

[[]]

Based on my experience in the industry, the 2006 Customer Satisfactory Monitor is a well designed survey that accurately reflects (within the confidence levels noted) the stated data concerning Sirius subscribers. The Customer Satisfaction Monitor is used in the ordinary course of business by Sirius' management in making business decisions.

12. As noted in the report, the most recent Customer Satisfaction Monitor was conducted June 21, 2006 through July 6, 2006. This time period is significant in at least two respects. First, it represents the first Customer Satisfaction Monitor undertaken since Howard Stern programming became available exclusively on Sirius in January 2006. Second, this survey was undertaken in the summer and there was significantly less play-by-play sports available on Sirius. None of our most popular sports properties (the NFL, the NBA, and college football/basketball) was in season during this time.

13. The Customer Satisfaction Monitor contains a wealth of information and I will not attempt to summarize all of the points here; the report data generally speak for themselves. However, a few points are worth noting. First, the effect of the exclusive relationship with Howard Stern is pervasive. [[

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14. The Listener Study is the second major semi-annual research that my department conducts. A copy of the June 2006 Listener Study Report is SIR Ex. 22; the questionnaire for that survey is SIR Ex. 23.

15. The Listener Study differs in a number of respects from the Customer Satisfaction Monitor. It is intended to focus on the programming aspect of Sirius radio, rather than aspects such as hardware, customer support, and the like. Because the purpose was to gain an understanding of subscriber attitudes towards more than 100 channels of programming, a very large number of completed surveys was necessary. We therefore decided (in conjunction with our research firm) to conduct the Listener Study entirely by e-mail, in contrast to the Customer Satisfaction Monitor, which uses both e-mail and telephone survey techniques. In my view, the use of the e-mail only technique does not have any bearing on the validity of the survey; a substantial majority of subscribers (nearly 70%) provide e-mail addresses to Sirius. In addition, we have not found material differences between subscribers who provide e-mail addresses and those who do not; in most cases, we believe that the difference is not whether that subscriber has

e-mail or access to a computer and the internet, but rather whether our subscriber chooses to provide an e-mail address to Sirius.

16. As reflected in the pages discussed in the methodology (see pages 6-12), [[]] interviews were conducted for the Listener Study during the period from June 16 – 29, 2006. While a portion of these interviews were not used in the results for various technical reasons, the results stated in the report are based on the responses of [[]] subscribers. The large size of the sample means that virtually all channel differences in total sample between the Spring 2006 wave of the survey and immediately preceding Fall 2005 wave would be statistically significant. Other methodological aspects are described in the report. I believe that the Listener Study is an accurate representation of the views of Sirius listeners. It is routinely used by Sirius management in making programming decisions in the ordinary course of business.

17. The Listener Survey contains various information regarding respondents, overall satisfaction with Sirius, and overall listening habits. Most of these data are self-explanatory. However, the heart of the Listener Survey is the listening by channel and the subsequent analysis, which I will describe in some detail. Once again, as with the Customer Satisfaction Monitor, I believe that it is important to note that the 2006 Listener Study was (a) the first Listener Study conducted after Howard Stern programming became available exclusively on Sirius, and (b) conducted at a time when the NFL and NBA were not playing, so there would be less seasonal interest in those otherwise popular channels.

18. We examined four key metrics for each channel: (listening past week and frequency), satisfaction, what we term “evangelism” (whether a listener has talked positively to

others about these channels), and willingness to cancel (whether a subscriber would cancel his or her Sirius subscription if this channel were taken off the air).

19. Several points stand out in the data. [[

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20. Comparing the various metrics also allows a number of observations. [[

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21. The Listener Study also reports a Grand Total Index or “GTI” that attempts to aggregate the survey results for each channel into a single metric. The methodology for creating the GTI appears at page 79 of the report. In addition to deriving a GTI score for each channel, we sought to group the channels into five “buckets” indicating reasonably similar overall performance.

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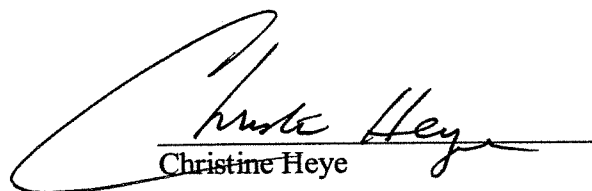
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DECLARATION OF CHRISTINE HEYE

I, Christine Heye, 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 day of October 2006 at New York, New York.


Christine Heye