



Radio Career Feature

Sirius-XM Inc — A Boon to Consumers May Usher in Radio’s Future

In late July, the US Federal Communications Commission (FCC) approved the merger between the only two satellite radio companies in existence: XM and Sirius. There is now only one company, the synthesis of these two. While this bodes well for consumers, some are concerned over anti-trust violations or the strangling of competition in the satellite radio industry.



The FCC did not give carte blanche to the newly formed \$3.5 billion organization, however. The new company has agreed to freeze subscription rates for three years and to allow subscribers to pick individual channels, called “a la carte” programming, for cheaper monthly costs if they so choose. What’s more, the new company will have to start offering radios that receive signals from independent broadcasters, and they will dedicate 8% of their broadcast to community-based and minority programming. This last

condition has outraged the Denver, Colorado based Mountain States Legal Foundation, which wrote to the FCC that they are violating the Constitution by demanding that Sirius XM, Inc. use racial quotas.

The merger has raised concerned eyebrows among members of Canada’s Competition Bureau. XM Canada is a publicly traded company that is run by Canadian Satellite Radio Holdings out of Toronto, in partnership with XM Satellite, while Sirius Satellite Radio Inc. owns a 20% stake in Sirius Canada, according to Sirius Canada spokesman Jeff Roman. Toronto-based Standard Radio and the CBC are the majority owners.

The U.S. Department of Justice has ruled that given the fact the two companies used different technologies and that their subscribers rarely switched platforms, they weren’t direct competitors.

“Ultimately it all depends on what the U.S. head office wants to do. I don’t think the Canadian companies have much of a say,” says Andy Woyzbun, lead analyst with the Info-Tech Research Group based in London, Ontario.

It is also extremely dubious that this merger has created a monopoly. Satellite radio uses different technology and a different system of generating revenues than AM and FM stations do, and alternatives exist in the form of Internet radio, but in the end it’s all radio. When Netflix first began its program of allowing people to rent DVDs via the Internet and have them delivered to their door, keep them as long as

they wanted without late fees, and be able to return them via prepaid envelopes, they were the only DVD rental company using that delivery and subscription system, but they were not a monopoly: other DVD rental companies still existed, and still do. Since then Best Buy has created a similar system for DVD rentals; when Netflix sued on the grounds that theirs is a proprietary business model, the case was thrown out. Whether this new merger will be considered a monopoly still remains to be determined.

Satellite-XM Inc. won’t have a stranglehold on the radio industry. Consumers have been thrilled with this new development — they are increasingly fed up with having to listen to commercials (that are louder than the music or talk they are trying to listen to), and a vast multitude of regional broadcast markets in North America have left listeners cold with lack of choice. Existing satellite technology allows consumers to pay a small monthly fee in exchange for commercial-free radio; this provides the choice that so many desire, but can’t get otherwise.



What do consumers love about the merger? Most had always found that they liked one company more than the other, but only because of a few minor differences in programming. This has led to some frustration among

consumers. Also, consumers sometimes bought vehicles with one satellite radio system pre-installed, only to find that they preferred the other company. These problems have now disappeared. There are relatively few subscribers to either company who are anything less than overjoyed at the news, and one would be hard-pressed to find any of them who feel they are in danger of being hurt financially or in terms of quality by the new company’s existence.

Critics also contend that the FCC’s three year freeze on Sirius-XM Inc’s rates is another violation, and probably a harmful one, because the new company likely needs to recoup some of its expenses incurred by the merger (including being forced to pay the government \$19.7 million), and neither company had yet turned a profit when their merger talks began.



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This means that shareholders will have to wait longer than consumers to reap the fruits of this new deal. "While [the] merger is beneficial for Sirius, we remain cautious as significant execution risk for...implementing synergies and recognition of synergies is probably already priced into stock," said RBC Capital Markets analyst David Bank in a note to clients.

There is no evidence that the merger will change much in the landscape of radio jobs in the near future. However,

consumers are already so happy with what they foresee that this may usher in a new age of subscription-based, commercial-free satellite radio, and this could strongly compete with the local, traditional AM and FM stations. Jobs will probably be lost as some of those stations were put out of business or forced to downsize, while new ones will likely be created in the satellite-and-subscription radio broadcast sector.

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