



The Satellite Radio Revolution

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Radio is much more than weather and traffic, clamorous commercials and lovelorn call-in shows -- it's a big business with billions of dollars at stake and a brewing battle between Earth-bound radio towers and satellites hovering above.

The newcomer, satellite radio, allows listeners to follow a single channel of music no matter where they are because the signal is sent from transmitters orbiting thousands of miles above the Earth. Traditional AM and FM "terrestrial" radio rely on local radio towers to broadcast signals.

Satellite stations also have a different way of paying for programming. Traditional radio stations are free to the listener and rely on commercials, government or voluntary donations. Satellite radio stations ask you to pay a subscription fee (about \$9.95 per month), similar to cable television.

Right now, two companies, XM Satellite and Sirius Satellite Radio, are the main satellite radio distributors in the United States.

Washington, D.C.-area resident Cori Bassett says it wasn't her idea to get satellite radio, but now that she has it, she's an avid listener.

"Our Pontiac dealership gave us a free three-month trial subscription," she says. "It's great; we get a wide-range of music and it's great if you travel because the signal never goes out of range."

The changing face of radio

The battle comes at a time of swift change in the radio industry. Many of those changes stem from a law passed in 1996 called the Telecommunications Act. Before 1996, the government's Federal Communications Commission (FCC) had numerous rules to try to promote diversity by limiting the number of radio stations one company could own. The Telecommunications Act sought to spur innovation by getting rid of unnecessary regulations.

However, over the next few years, the lack of regulations enabled a few big corporations to buy many small radio stations. Today, three companies own the majority of the radio industry: Clear Channel, Infinity Broadcasting and Cumulus Radio, according to The Washington Post. Before the Telecommunications Act, the largest radio corporation owned 65 stations; today Clear Channel owns 1,245 stations.

According to the advocacy group Future of Music Coalition (FMC), deregulation has homogenized the music heard on the radio because the big companies try to push certain commercialized artists and avoid the controversy of independent or edgy artists.

Pay for radio?

At the same time the government was deregulating terrestrial radio, pay-per-view television guru Hugh Panero was thinking of ways to cross over the successful formula that lets consumers tune into specialized programming, for a fee.

XM Satellite Radio began in cramped offices in Washington, D.C. with the idea that customers would pay a monthly rate to tune into commercial-free stations that play programs and music seldom heard on AM and FM stations.

Panero and his team set to work acquiring technology that would allow them to launch satellites into space and building specialized microchips that would allow listeners to receive the signal.

Meanwhile, a New-York company, Sirius Satellite Radio, jumped into the fray and also started working on its own satellites and receivers. In 2001, XM and Sirius both went on the air.

Since then, both satellite radio providers have continued to attract new customers and the companies have both signed high-profile contracts with popular names in the entertainment industry. As of this month, XM has 3 million listeners, offers 100 channels and has signed deals with popular National Public Radio news anchor Bob Edwards and Major League Baseball.

Sirius is playing catch-up with just over a million subscribers, but it has deals with the National Football League and with rap star Eminem, who has his own Sirius channel called "Shade 45."

Sirius also made headlines recently when they signed talk-show host Howard Stern, who had a very public fight with FCC Commissioner Michael Powell over censorship issues, for \$500 million for five years.

Both satellite providers mainly broadcast to receivers in automobiles, but have accessories to listen through a home stereo, portable boombox, and online through a computer.

FM-AM radio fights back

But FM-AM stations aren't taking this new competition lying down. The big industry players plan to launch an ad campaign to promote conventional radio in the coming weeks. Costing about \$28 million, the promotional ads include the tagline: "Radio. You hear it here first" and include spots by pop star Avril Lavigne and rapper Ludacris.

Lavigne's ad plays up radio's part of the music process: "Before I got nominated again, before the pop-tart drama, before I toured the world at 19 and 'Complicated' made things so complicated, you heard me -- on the radio."

Additionally, a print campaign will launch in youth-oriented magazines such as Vibe, Spin and Entertainment Weekly.

--Compiled by Caitlin Thompson for NewsHour Extra