EXHIBIT R

EchoStar Communications Corporation, Form 10-K for the year ended December 31, 1999, available on the SEC web site <http://www.sec.gov/Archives/edgar/data/1001082/0001035704-00-000160.txt>.

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COMPANY DATA:

COMPANY CONFORMED NAME:	ECHOSTAR COMMUNICATIONS CORP
CENTRAL INDEX KEY:	0001001082
STANDARD INDUSTRIAL CLASSIFICATION:	CABLE & OTHER PAY TELEVISION
IRS NUMBER:	880336997
STATE OF INCORPORATION:	NV
FISCAL YEAR END:	1231

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 0-26176

ECHOSTAR COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization	88-0336997 (I.R.S. Employer Identification No.)
5701 S. SANTA FE LITTLETON, COLORADO (Address of principal executive offices)	80120 (Zip Code)

Registrant's telephone number, including area code: (303) 723-1000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Class A Common Stock, $0.01 par value 6 3/4% Series C Cumulative Convertible Preferred Stock

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of March 7, 2000, the aggregate market value of Class A Common Stock held by non-affiliates* of the Registrant approximated $13.4 billion based upon the closing price of the Class A Common Stock as reported on the Nasdaq National Market as of the close of business on that date.

As of March 7, 2000, the Registrant's outstanding Common stock consisted of 114,079,274 shares of Class A Common Stock and 119,217,604 shares of Class B Common Stock, each $0.01 par value.

FCC000000495

DOCUMENTS INCORPORATED BY REFERENCE

audio services available today. As of December 31, 1999, approximately 13 million United States households subscribed to direct broadcast satellite and other direct-to-home satellite services. Our DBS system presently includes FCC-allocated DBS licenses, five operational DBS satellites, digital satellite receivers, two digital broadcast operations centers, customer service facilities, and other assets used in our operations. We believe that DISH Network offers programming packages that have a better "price-to-value" relationship than packages currently offered by most other subscription television providers, particularly cable TV operators. We believe there continues to be significant unsatisfied demand for high quality, reasonably priced television programming services.

We started offering subscription television services on the DISH Network in March 1996. As of December 31, 1999, more than 3.4 million households subscribed to DISH Network programming services. During 1999, more than 1.4 million net new households subscribed to our direct broadcast satellite services, an increase of 63% from 1998. Further, in 1999, J.D. Power and Associates ranked us number one in overall customer satisfaction in the pay TV industry and a Consumer Reports customer satisfaction survey rated DISH Network highest in the "Satellite TV Providers" category.

COMPONENTS OF A DBS SYSTEM

In order to provide programming services to DISH Network subscribers, we have entered into agreements with video, audio and data programmers, who deliver their programming content to our digital broadcast operations center in Cheyenne, Wyoming, via commercial satellites, fiber optics or microwave transmissions. We monitor those signals for quality, and can add promotional messages, public service programming or other information. Equipment at our digital broadcast operations center then digitizes, compresses, encrypts and combines the signal with other necessary data, such as conditional access information. We then "uplink" or transmit the signals to one of our DBS satellites where we then broadcast directly to DISH Network subscribers.

In order to receive DISH Network programming, a subscriber needs:

- a satellite antenna, which people sometimes refer to as a "dish," and related components;
- an integrated receiver/decoder, which people sometimes refer to as a "satellite receiver" or "set-top box"; and
- a television set.

Set-top boxes communicate with our authorization center through telephone lines to report the purchase of pay-per-view movies and other events.

Conditional Access System. We use conditional access technology to encrypt the programming so only those who pay can receive the programming. We use microchips placed on credit card-sized access cards, or "smart cards" to control access to authorized programming content. We own 50% of NagraStar LLC, a joint venture that provides us with smart cards. NagraStar purchases these smart cards from Nagra Plus SA, a Swiss company that owns the other 50% of NagraStar LLC. These smart cards, which we can update or replace periodically, are a key element in preserving the security of our conditional access system. When a consumer orders a particular channel, we send a message by satellite that instructs the smart card to permit decryption of the programming for viewing by

Exhibit S

FOR PUBLIC INSPECTION

EXHIBIT S

Star advertisement, produced by EchoStar [ECC0006563].

America's Top 40* TV channels for just $19.99* a month.

We'll beam DISH Network™ programming straight from our satellite to your home, delivering a glorious digital-quality signal. Choose from five big value programming packages from as low as $19.99* a month.

DIGITAL PICTURE - CD-QUALITY SOUND
MULTI-CHANNEL PREMIUM SERVICES: HBO, CINEMAX, SHOWTIME AND THE MOVIE CHANNEL
PROGRAMMING, EQUIPMENT, INSTALLATION AND SERVICE FROM ONE SOURCE

For subscription information call:

1-800-333-DISH ext. 333

The Best Television Comes on a DISH™

www.dishnetwork.com

FCC000000499

EXHIBIT T

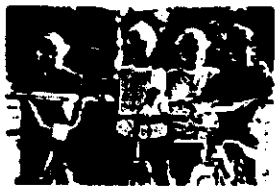
Web page from AT&T's Internet site, <http://www.cable.att.com/cgi-bin/index.fcg>. This page is accessible by entering a ZIP code for an area serviced by AT&T digital cable (such as 80210).

AT&T Makes It Personal.

In addition to providing you the best in home entertainment, we respond to your individual needs — from programming choices to community events to billing questions. So get to know your AT&T Broadband Representative, and start enjoying outstanding entertainment — and superior local service.

Supporting Our Community

AT&T proudly supports Denver area community activities. Our ongoing commitment to sponsoring special events, benefits and outreach



programs keeps us in touch with our neighbors' interests and concerns. Check this space regularly for an update of AT&T-sponsored events in your area.

GO Digital!

AT&T Digital Cable gives you the entertainment you crave — with greater variety, control, and programming choices — right through the cable in your home. AT&T DIGITAL CABLE

No special digital TV, no satellite equipment to buy and install. It couldn't be easier to get great entertainment.

FCC000000502

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Exhibit U

FOR PUBLIC INSPECTION

EXHIBIT U

Comments of EchoStar Communications Corporation, *In re Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming*, FCC CS Docket No. 97-141 (July 23, 1997), available on the FCC web site, <https://haifoss.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=1878570001> and <https://haifoss.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=1878570002>.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming	)	CS Docket No. 97-141

COMMENTS OF ECHOSTAR COMMUNICATIONS CORPORATION

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202/429-3000

Its Attorneys

July 23, 1997

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Exhibit U

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resource for introduction of viable competition against cable operators; and expand cable operators' affiliation with programming services to include News Corp.'s programming and sports rights empire.

EchoStar is a Direct Broadcast Satellite ("DBS") provider with two operational satellites at the 119° W.L. orbital location and close to 600,000 subscribers. EchoStar is virtually the only DBS provider pursuing a pure strategy of head-on, direct competition against cable. However, while DBS service remains the most likely alternative with the realistic potential of eroding the cable operators' dominance, EchoStar has been hampered in its efforts to realize that potential.

I. CABLE OPERATORS POSSESS MARKET POWER IN THE MVPD MARKET

A. EchoStar's Competitive Efforts

Ever since it commenced DBS service in the spring of 1996, EchoStar has viewed cable subscribers as its primary target market. Accordingly, EchoStar has priced and structured its offering with the primary purpose of attracting cable subscribers. ***First***, EchoStar broke new ground among DBS providers in March 1996 by substantially reducing the upfront cost of the dish to the subscriber from $499 to $199. On June 1, 1997, EchoStar moved DBS pricing one step closer to the cable paradigm by eliminating the requirement that new subscribers purchase a prepaid one-year subscription.

Second, EchoStar has priced its packages at monthly rates well below comparable cable offerings. Thus, EchoStar offers its America's Top 40℠ package at $19.99 per

month, as compared to over $30 for comparable cable service. ***Third***, EchoStar has offered discounts to cable subscribers, available upon presenting a cable invoice.

As a result of its intense promotional efforts, aggressive pricing and consistent high quality of its DISH offering, EchoStar has been able to increase its subscriber base to about 582,000 as of June 30, 1997 and over 600,000 currently. Moreover, EchoStar believes that about 60% of its subscribers have switched to EchoStar from cable systems.

Nevertheless, EchoStar's subscribers base remains negligible compared to the 65 million cable households.[1] Furthermore, as discussed below, EchoStar's offering has not resulted in downward pressure on cable rates, which are indeed on the rise.

B. EchoStar's Constraints

In attempting to compete against the entrenched multi-channel providers, EchoStar is hampered by several constraints. ***First***, unlike cable operators, EchoStar does not at present offer local programming. The Commission has recognized that the inability to offer local signals places DBS at a competitive disadvantage to other MVPDs.[2] Indeed, cable operators have seized on this significant and well-publicized handicap in their advertising campaigns against satellite programming distributors. EchoStar plans to start offering local network signals in the areas where these signals originate upon the launch of its third satellite, scheduled for September 1996. That satellite, however, will operate from a partial-CONUS location -- 61.5° W.L. Moreover, EchoStar's current satellites have no spot beam capacity, meaning that

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[1] Paul Farhi, *"Biggest Cable Operator To Raise Rates 7% in '97,"* The Washington Post (Mar. 14, 1997).

[2] *See 1996 Cable Competition Report* at ¶ ¶ 38, 43.

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EXHIBIT V

Comments of the United States Department of Justice, *In re Application of MCI Telecommunications Corporation and EchoStar 110 Corporation,* FCC File No. SAT-ASG-19981202-00093 (January 14, 1999).

United States of America

Department of Justice

July 7, 2000

I hereby certify that the annexed paper is a true copy of the original record which is in the official custody of the Department of Justice, to wit: 1/14/99 -

Comments of the United States Department of Justice - Antitrust Division to the Federal Communications Commission - In the Matter of the Application of MCI Telecommunications Corporation and Echostar 110 Corporation.

In witness whereof, *I have hereunto set my hand, and caused the seal of the Department of Justice to be affixed, on the day and year first above written.*

ANN LEA HARDING
Chief, FOIA/PA
Antitrust Division
325 7th Street, N.W.
Washington, D.C. 20530

Exhibit V

Form DOJ-14
OCT 1977

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of the Application of MCI TELECOMMUNICATIONS CORPORATION and ECHOSTAR 110 CORPORATION	))))	File No. SAT-ASG-19981202-00093

A. Douglas Melamed
Principal Deputy Assistant Attorney General
Antitrust Division

Donna E. Patterson
Deputy Assistant Attorney General
Antitrust Division

Donald J. Russell
James R. Wade
Andrew S. Cowan

Telecommunications Task Force

Antitrust Division
U.S. Department of Justice
1401 H Street, N.W., Suite 8000
Washington, D.C. 20530
(202) 514-5621

January 14, 1999

COMMENTS OF THE UNITED STATES DEPARTMENT OF JUSTICE

MCI Telecommunications Corporation has requested approval to transfer its license to operate 28 channels at the 110 West Longitude DBS slot to EchoStar Communications Corporation. This proposed transaction does not pose any significant risk to competition in the distribution of multichannel video programming. Rather, the transaction will greatly increase EchoStar's capacity to transmit video programming and, in so doing, will enhance its ability to compete aggressively and effectively against other distributors of multichannel video programming, including the cable companies that dominate these distribution markets. Prompt approval of this application by the Commission will provide important competitive benefits to the millions of households that purchase multichannel video programming services.

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Exhibit V

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small
share of the overall MVPD market. When examined in the context of the relevant product market, and taking into account the structure and characteristics of that market, it is clear that EchoStar's application presents no significant competitive concerns. Rather, approval of EchoStar's request promises to facilitate new and potentially significant competition between DBS and cable providers, thereby benefitting consumers of MVPD services.

A. The relevant market is the provision of MVPD services.

The relevant product market in which to analyze this transaction is the distribution of multiple channels of video programming directly to the home. The programming can be delivered by various methods, including cable, satellite and wireless technologies. The Commission has consistently taken the view that MVPD is the proper product market for evaluating competitive issues relating to cable television and DBS.[4] DOJ's extensive

investigation in connection with the Primestar litigation uncovered considerable evidence to validate this market definition.

Under the DOJ Horizontal Merger Guidelines, on which the Commission has relied in the
past,[5] cable and DBS are considered to be in the same product market if they are close substitutes
for one another, such that consumers would switch from one to the other in response to a price
increase in either.[6] The DOJ's investigation of the distribution of multichannel video programming indicates that consumers view DBS and cable as similar and to a large degree substitutable.

First, both cable and DBS technologies provide essentially the same service to customers:
(1) the delivery of multiple channels of video, typically anywhere between 35 and 175;
(2) programming that includes a mixture of "basic" services (such as ESPN, CNN, USA and TNT),
as well as premium services (such as HBO, Showtime and Cinemax) that are not available "over-
the-air"; in exchange for (3) a monthly subscription fee. One initial point of differentiation between the two services, the large initial cost of DBS equipment, has been all but eliminated as
DBS firms, led by EchoStar, have attracted consumers by offering deeply discounted receiving
equipment and installation rates.

Second, DOJ found extensive evidence of customer switching from cable to DBS. More and more new DBS subscribers in recent years are former cable subscribers who either stopped
buying cable or downgraded their cable service once they purchased a DBS system. This trend

Exhibit V

contrasts with the early days of DBS, when new subscribers most often came from uncabled areas. Indeed, competition from DBS is particularly important to cable firms because the cable customers most apt to switch to DBS are profitable "premium" customers, attracted by the extensive programming choices that DBS offers. These customers account for a disproportionate share of cable's subscription revenues, a fact well-recognized by cable providers.

DOJ found additional evidence to support an MVPD product market definition in the fact that cable television companies have developed business plans that specifically counter the perceived competitive threat from DBS. Cable firms spend considerable time and money monitoring advances made by DBS, and have devised "anti-DBS" marketing strategies. For example, cable firms established a "1-888-DISH-HEL[P]" hotline through which consumers interested in DBS are discouraged from purchasing it and steered back to cable. Cable companies have also run anti-DBS advertising, just as DBS firms have attacked cable in their own marketing efforts. On a more positive note, cable firms have spent hundreds of millions of dollars upgrading their systems in order to stay competitive with the channel selection and picture quality of DBS. Leo Hindery, Jr., president of Tele-Communications, Inc., the country's second-largest cable system operator, testified before a Senate subcommittee that "more than any other non-cable MVPD, DBS has fundamentally changed the video distribution landscape and the competitive dynamics of the marketplace. It has altered the way that cable operators package and price their services and the way that we serve our customers."[7]

The reaction of the cable industry in 1997 to an earlier EchoStar/News Corp. alliance, to have been called American Sky Broadcasting ("ASkyB"), also demonstrates that cable and DBS

---

compete in the same product market. Before News Corp. and MCI announced the Primestar deal, they had planned to partner with EchoStar to use the 110 slot to launch a high-power DBS service. Cable executives immediately treated ASkyB as a formidable potential competitor. In the days that followed the unveiling of ASkyB, cable executives suggested that a massive battle between ASkyB and cable would ensue.[8]

In short, the views and actions of consumers, statements and strategic behavior by cable firms, and the views of other industry participants convincingly demonstrated that DBS and cable compete against each other in local MVPD markets throughout the country.

Exhibit W

FOR PUBLIC INSPECTION

EXHIBIT W

Federal Communications Commission, First Report, *In re Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992, Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, FCC CS Docket No. 94-48, 9 FCC Rcd. 7442 (rel. September 28, 1994), available on Westlaw (1994 WL 528274) and Lexis (1994 FCC LEXIS 5322).

LEXSEE 9 fcc rcd 7442

In the Matter of Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992 Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming

CS Docket No. 94-48

FEDERAL COMMUNICATIONS COMMISSION

9 FCC Rcd 7442; 1994 FCC LEXIS 5322; 75 Rad. Reg. 2d (P & F) 1415

RELEASE-NUMBER:
FCC 94-235

September 28, 1994 Released; Adopted September 19, 1994

ACTION: [**1]

FIRST REPORT

JUDGES:

By the Commission

OPINION:

[*7445] I.

INTRODUCTION

1. Pursuant to the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" or "the Act"), n1 the Commission is required to report to Congress annually "on the status of competition in the market for the delivery of video programming." n2 This report (the "Report" or the "Competition Report") is the first of these annual competition studies. n3

n1 Pub. L. No. 102-385, 106 Stat. 1460 (amending the Communications Act of 1934 (the "Communications Act") and codified at 47 *U.S.C.* § *151*, et seq.).

n2 Communications Act § 628(g), 47 *U.S.C.* § *548*(g) (requiring the Commission to report to Congress "beginning not later than 18 months after promulgation of the regulations required by [Section 19(c) of the 1992 Cable Act]"). Those regulations were adopted on April 1, 1993. Implementation of Sections 12 & 19 of the 1992 Cable Act -- Dev. of Competition & Diversity in *Video Programming Dist. & Carriage, First Report & Order ("Program Access Report & Order"), 8 FCC Rcd 3359 (1993)*, recon. pending MM Docket No. 92-265. Consequently, the Report is due on October 1, 1994.

n3 The Commission began this study with a notice of inquiry, which it released May 19, 1994. Implementation of Section 19 of the 1992 Cable Act -- Annual Assessment of the Status of Competition in the *Market for the Delivery of*

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Exhibit W

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FOR PUBLIC INSPECTION

Commission has adopted a two-part test for determining whether consumers are "served" by two MVPDs: each MVPD's service must both be both technically available and actually available to cable subscribers. *Implementation of Sections of the 1992 Cable Act -- Rate Regulation, Report & Order Further Notice of Proposed Rulemaking ("1993 Rate Report & Order") P38, 8 FCC Rcd 5631, 5666 (1993)*. An MVPD's service is considered comparable if it provides at least 12 channels "including at least one channel of nonbroadcast service programming." Id. For purposes of determining when the 15% threshold is reached, the subscriberships of all alternative MVPDs serving at least 50% of the households in the franchise area are aggregated. *Id. at 5662-65.*

n113 Communications Act § 623(1)(1)(A), *47 U.S.C. § 543*(1)(1)(A).

n114 Id. at § 543(1)(1)(C), *47 U.S.C. § 543*(1)(1)(C). As of September 16, 1994, a total of 135 claims raising the existence of "effective competition" in certification proceedings before the Commission have been made by cable system operators. Of these, 11 (all of which are pending), are based on the 50/15 standard of the 1992 Cable Act. The other 124 of those "effective competition" claims are based on the 30% penetration standard A total of 13 of these 124 cases have been resolved (eight have been denied, while five have been dismissed). [**40]

4. Implications of Market Definition for This and Future Reports

49. Product Market. For purposes of this Report, the relevant product market contemplated in the 1992 Act -- multichannel video programming service -- is the appropriate starting point for assessing the status of competition in the market for the delivery of video programming. A primary focus of this Report, and a central concern of the 1992 Cable Act, is the extent to which MVPDs that use alternative technologies are emerging as significant competitors to cable operators. In addition to cable operators (which include direct competitors known as "overbuilders"), MMDS, DBS, and TVRO providers are specifically included within the statutory definition of an MVPD, n115 and the Commission has subsequently determined that VDT and SMATV systems should be considered MVPDs, as well. n116 Consequently, this Report will evaluate the status of providers utilizing each of these technologies.

n115 Communications Act § 602(12), *47 U.S.C. § 522*(12).

n116 1993 *Rate Report & Order PP21-22, 8 FCC Rcd at 5650-51*. The Commission reserved judgment as to whether LMDS systems or digitally-compressed broadcast signals would fit within the statutory definition, and the Commission expressly held that leased access providers offering compressed or multiplexed multichannel video programming were not MVPDs because they used the same facilities as the cable system operator. Id. [**41]

50. In addition, the Commission will discuss other video programming distribution media as potential substitutes for cable services. While the use of current broadcast technology is expressly excluded from the statutory definition of an MVPD (because a broadcast station does not offer "multiple" channels of video programming and is not offered on a subscription basis), the Commission nonetheless includes a discussion of broadcast television in this Report, given broadcasting's potential constraining effect on cable industry conduct. Finally, the Commission discusses in this section other delivery media

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Exhibit X

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EXHIBIT X

Federal Communications Commission, Fifth Annual Report, *In re Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming*, FCC CS Docket No. 98-102, 13 FCC Rcd. 24284 (rel. December 23, 1998), available on Westlaw (1998 WL 892964) and Lexis (1998 FCC LEXIS 6502).

LEXSEE 13 fcc rcd 24284

In the Matter of Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming

CS Docket No. 98-102

FEDERAL COMMUNICATIONS COMMISSION

13 FCC Rcd 24284; 1998 FCC LEXIS 6502; 14 Comm. Reg. (P & F) 923

RELEASE-NUMBER: FCC 98-335

December 23, 1998 Released; Adopted December 17, 1998

ACTION: [**1] FIFTH ANNUAL REPORT

JUDGES:

By the Commission: Chairman Kennard and Commissioners Ness, Powell and Tristani issuing separate statements; Commissioner Furchtgott-Roth dissenting and issuing a statement

OPINION:

[*24284] [*24286] I. INTRODUCTION

1. This is the Commission's fifth annual report ("1998 Report") n1 to Congress submitted pursuant to Section 628(g) of the Communications Act of 1934, as amended ("Communications Act"). Section 628(g) requires the Commission to report annually to Congress on the status of competition in markets for the delivery of video programming. n2 Congress imposed this annual reporting requirement in the Cable Television Consumer Protection and Competition Act of 1992 ("1992 Cable Act") n3 as a means of obtaining information on the competitive status of markets for the delivery of video programming. n4

n1 The Commission's first four reports appear at: Implementation of Section 19 of the 1992 Cable Act (Annual Assessment of the Status of Competition in the *Market for the Delivery of Video Programming), CS Docket No. 94-48, First Report ("1994 Report"), 9 FCC Rcd 7442 (1994);* Annual Assessment of the Status of Competition in the *Market for the Delivery of Video Programming, CS Docket No. 95-61, Second Annual Report ("1995 Report"), 11 FCC Rcd 2060 (1996);* Annual Assessment of the Status of Competition in the *Market for the Delivery of Video Programming, CS Docket No. 96-133, Third Annual Report ("1996 Report"), 12 FCC Rcd 4358 (1997);* and Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming, CS Docket No. 97-141. *Fourth Annual Report ("1997 Report"), 13 FCC Rcd 1034 (1998).* [**2]

n2 Communications Act of 1934, as amended, § 628(g), *47 U.S.C. § 548*(g) (1996) ("Communications Act").

n3 Pub. L. No. 102-385, 106 Stat. 1460 (1992).

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FOR PUBLIC INSPECTION

of competition in markets for the delivery of multichannel video programming. 1994 Report, 9 FCC Rcd at 7623, App. H. [**5]

B. Summary of Findings

5. In the 1998 Report, we address the status of competition in markets for the delivery of video programming, discuss how the regulatory changes enacted in the 1996 Act have affected the competitive environment, and describe barriers to competition that continue to exist. The information gathered in this report provides the last comprehensive picture of the state of cable competition prior to March 31, 1999, the date on which the Commission's authority under Section 623(c)(3) to review complaints submitted by local franchising authorities concerning increases in rates for cable programming service ("CPS") tiers sunsets. n8

n8 See Sections 623(c)(3) and (c)(4); *47 U.S.C. § 543*(c)(3) and (c)(4).

6. The Report finds that competitive alternatives and consumer choices are still developing. We find that cable television continues to be the primary delivery technology for the distribution of multichannel video programming and continues to occupy a dominant position in the MVPD marketplace. As of June 1998, 85% of all MVPD subscribers received video programming service from local franchised cable operators compared to 87% a year [**6] earlier.

7. There has been an increase in the total number of subscribers to noncable MVPDs. Much of this increase is attributable to the continued growth of DBS, which is attracting former cable subscribers and consumers not previously subscribing to an MVPD. Between June 1997 and June 1998, the DBS grew from approximately 5 million subscribers to 7.2 million subscribers. DBS subscribers now represent 9.40% of all MVPD subscribers compared to 6.85% a year earlier. In addition, new open video systems ("OVS") have launched in a few areas. However, there have been declines in the number of subscribers and market shares of HSD, MMDS, and SMATV over the last year and the one existing LMDS system recently terminated service. There also has been a limited number of additional cable overbuilds in the last year. In communities where the incumbent cable operators face such competition, they respond in [*24288] a variety of ways, including lowering prices, adding channels at the same monthly rate, improving customer service, or adding new services such as interactive programming.

8. A total of 76.6 million households subscribed to multichannel video programming services as of June 1998, up 4.1% over [**7] the 73.6 million households subscribing to MVPDs in June 1997. This subscriber growth accompanied a 2.3 percentage point increase in multichannel video programming distributors' penetration of television households to 73.2% in June 1998. During this period, the number of cable subscribers continued to grow, reaching 65.4 million as of June 1998 up about 2% over the 64.2 million cable subscribers in June 1997. The total number of noncable MVPD subscribers grew from 9.5 million as of June 1997 to 11.2 million as of June 1998, an increase of over 18% since the 1997 Report.

9. During the period under review, cable rates rose more than four times the rate of inflation. According to the Bureau of Labor Statistics, between June 1997 and June 1998, cable prices rose 7.3% compared to a 1.7% increase in the Consumer Price Index ("CPI"), which is used to measure general price changes. A portion of these rate increases is attributable to capital expenditures for the

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Exhibit Y

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