

August 13, 2002

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW – Room TW-A325
Washington, D.C. 20554

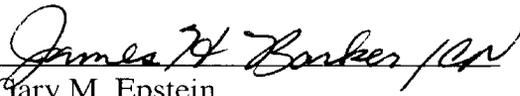
**Re: Ex Parte Notice – Consolidated Application of EchoStar
Communications Corporation, General Motors Corporation and
Hughes Electronics Corporation for Authority to Transfer Control, CS
Docket No. 01-348**

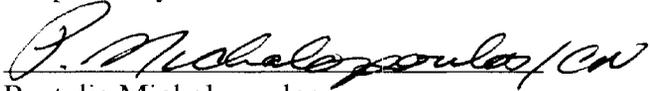
Dear Ms. Dortch:

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. §1.1206, EchoStar Communications Corporation, Hughes Electronics Corporation and General Motors Corporation, Applicants in the above-referenced merger proceeding, submit this letter to report that representatives of the Applicants met separately with Susan Eid of Chairman Powell's office, Daniel Gonzalez of Commissioner Martin's office and Alexis Johns of Commissioner Copps's office on August 12, 2002. The issues discussed during the meetings are reflected in the attached presentation materials.

One copy of this *ex parte* notice is being filed electronically with the Commission. If you have questions concerning this notice, please do not hesitate to contact the undersigned.

Respectfully submitted,


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*Counsel for EchoStar Communications
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Attachment
cc (w/ att.): Susan Eid
Daniel Gonzalez
Alexis Johns

**Presentation to the
Federal Communications Commission**

August 2002

ECHOSTAR

HUGHES

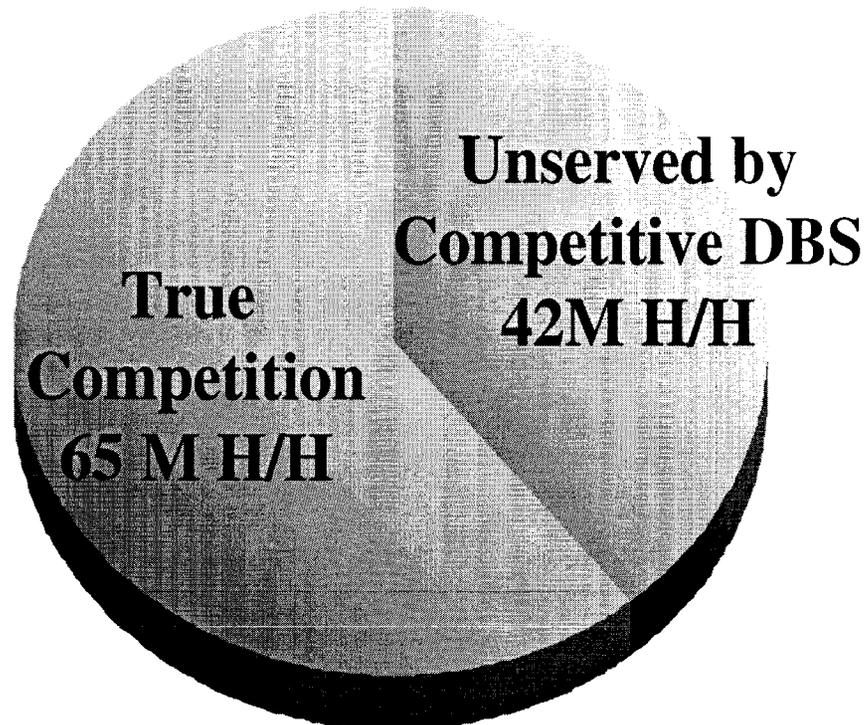
Reasons for the Merger

- **Free Up Scarce Spectrum, Allowing “Local-into-Local” Satellite Service to All DMAs, 12 High Definition Channels, Near Video on Demand and Other Services**
- **Allow the First True Residential Broadband Service by Satellite**
- **Create Effective Competition with Dominant Cable Providers – Curb Soaring Cable Rates**
- **Result in Consumer Benefits Significantly Greater than \$1 Billion a Year**

Only Accomplished via a Successful Merger

True Competition to Cable

Before Merger



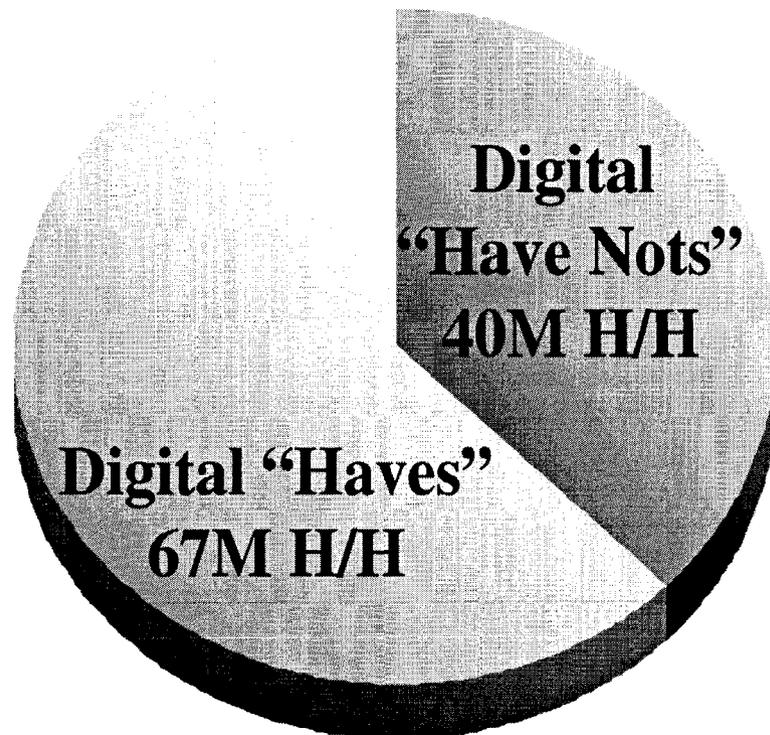
After Merger



Full Local Service in all 210 Markets

Bridging the Digital Divide

Before Merger

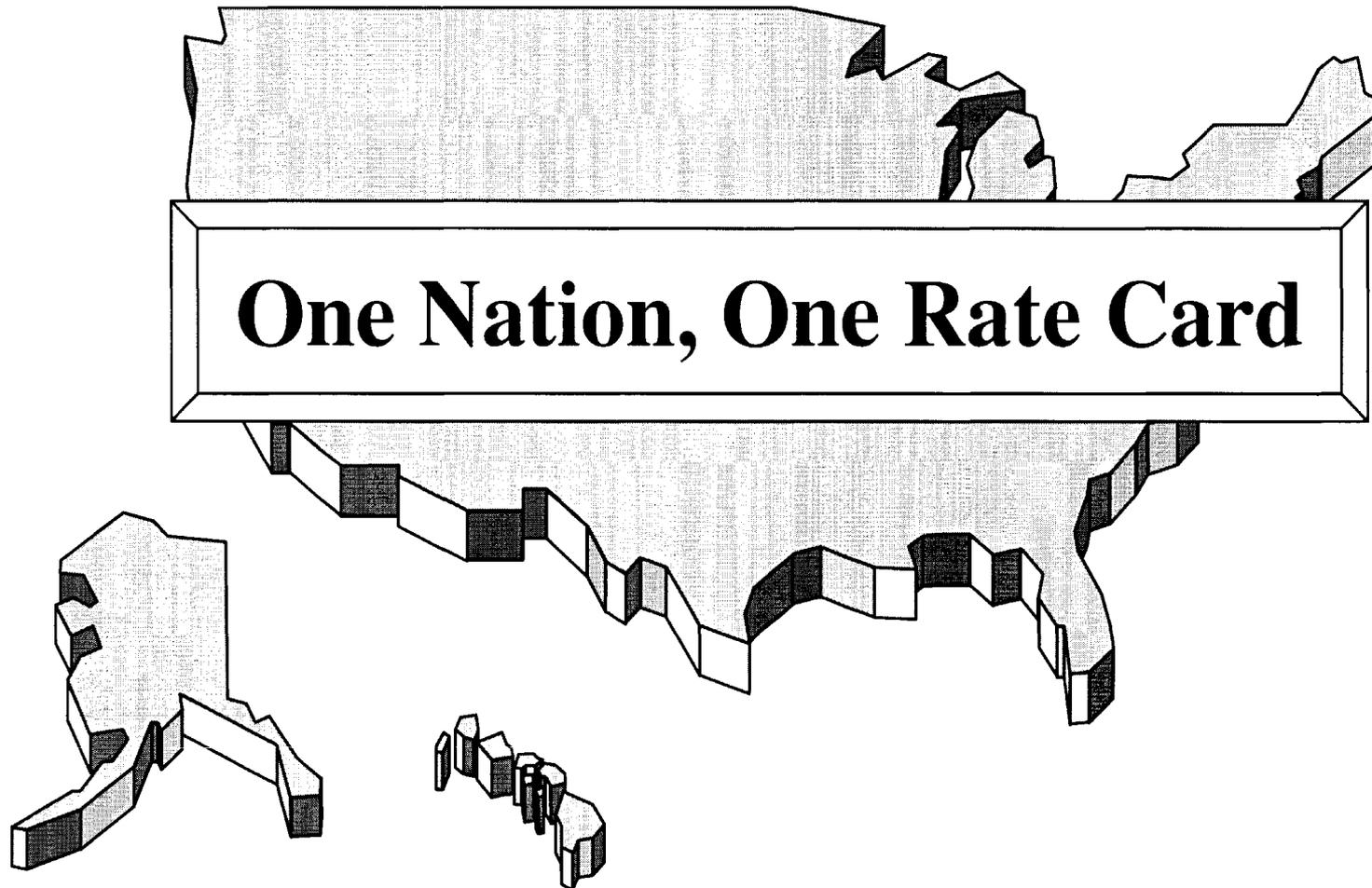


After Merger



High Speed Broadband in all 210 Markets

National Pricing



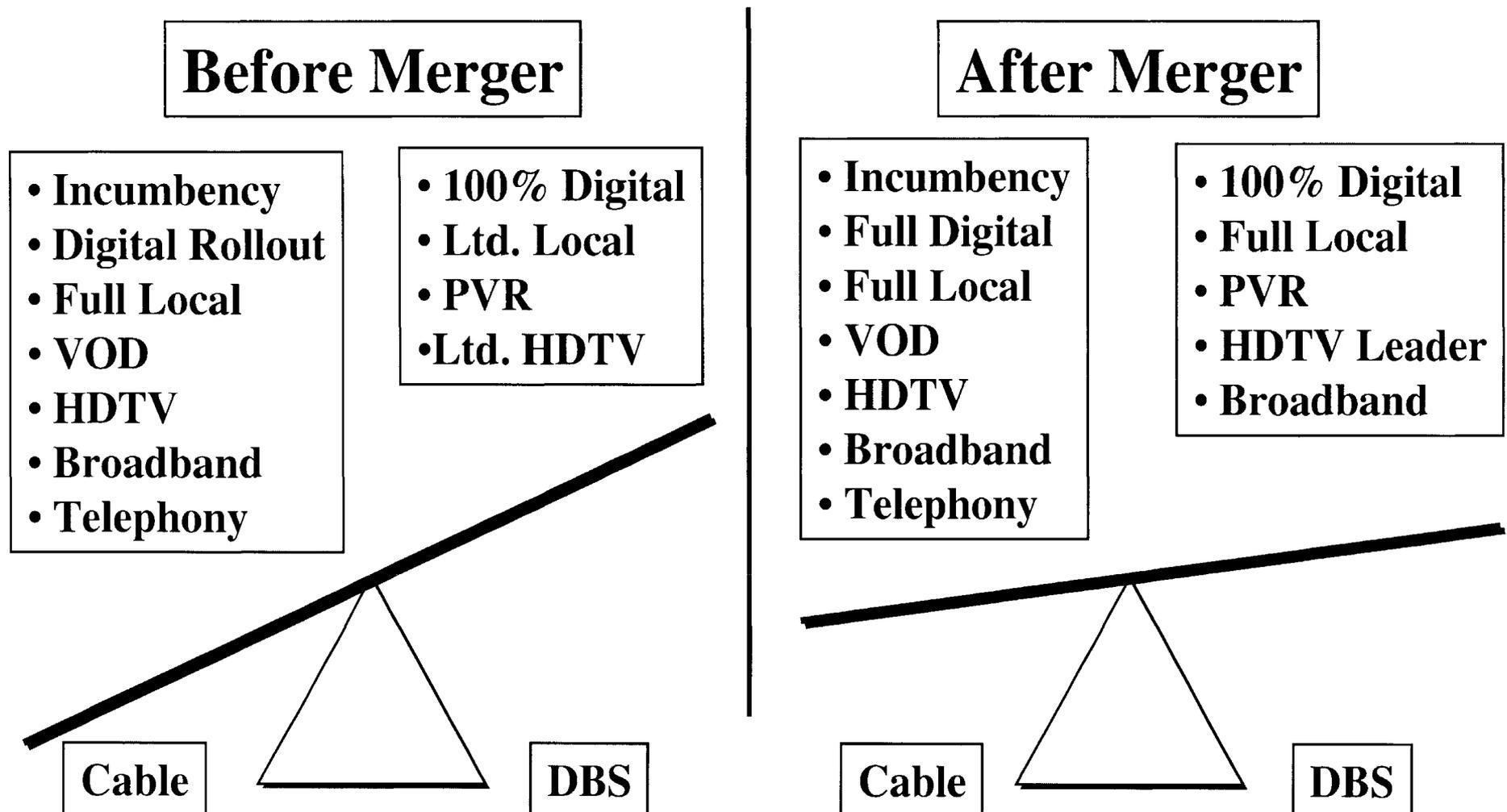
For a Town of 5 People or a City of 5 Million...

Proceedings to Date

- We have provided a vast amount of legal, engineering and economic information in support of the merger:
 - Filings in the Merger Application Proceeding
 - Filings in the New EchoStar 1 Satellite Proceeding
 - Interrogatory Responses and Document Productions
 - Series of Seven In-Person Briefings/Meetings
 - Merger Simulation Model, Synergies Model, Local-Into-Local Models, Broadband Models

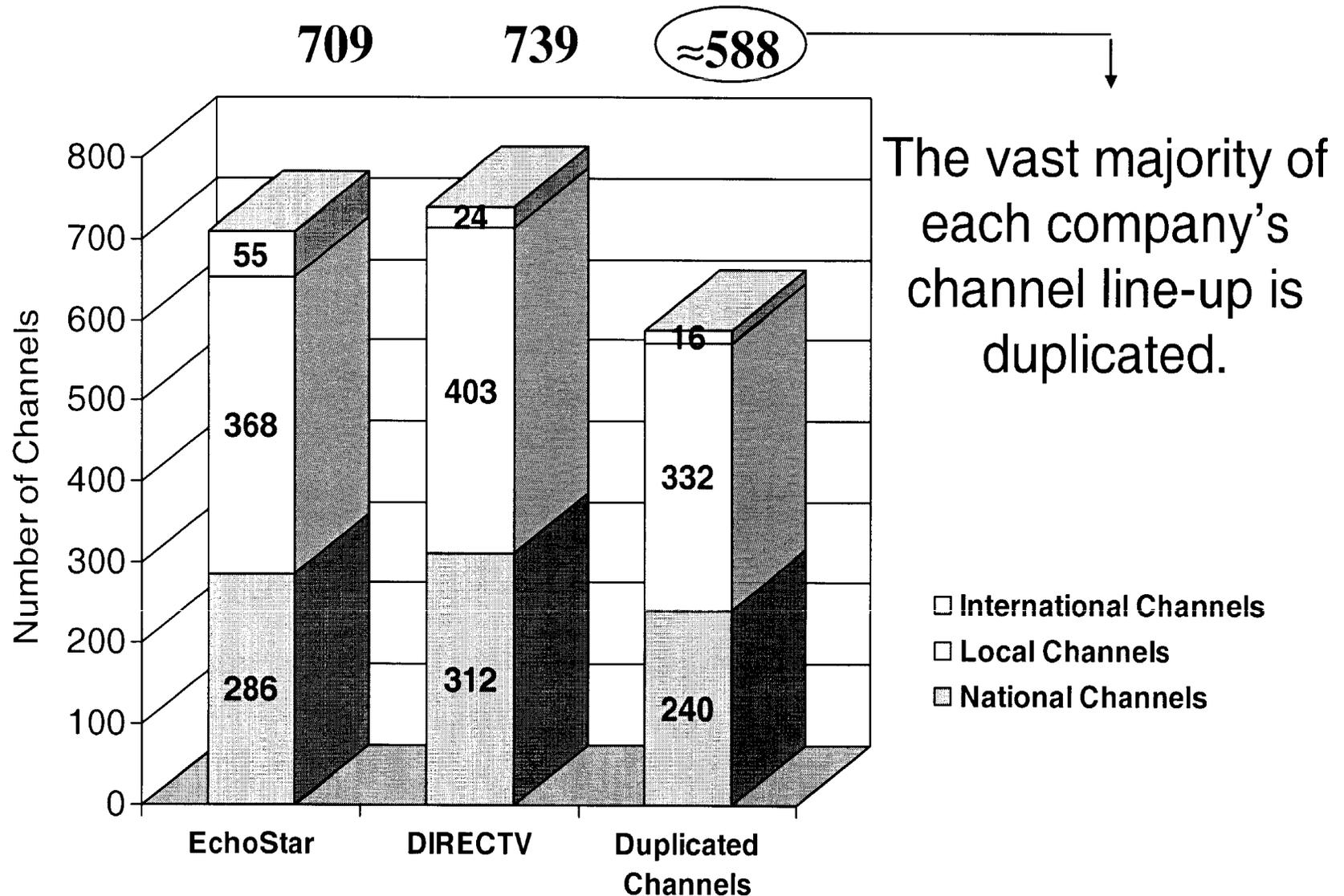
Why We Need the Merger

Without the merger, DBS will be unable to match cable's capacity and services, causing MVPD competition to lessen



Spectrum Reclamation

Duplication wastes valuable, limited spectrum.



Local-Into-Local /Models/Benefits

We have shown that:

- Each company alone would not serve more than a limited number of DMAs.
- New EchoStar would find it in its interest to serve, and would serve, all 210 DMAs.
- Introduction of local-into-local service in the few DMAs that enjoy it today has restrained cable rates by
 - \$1.03 in the first year
 - \$1.57 in the second year

Broadband

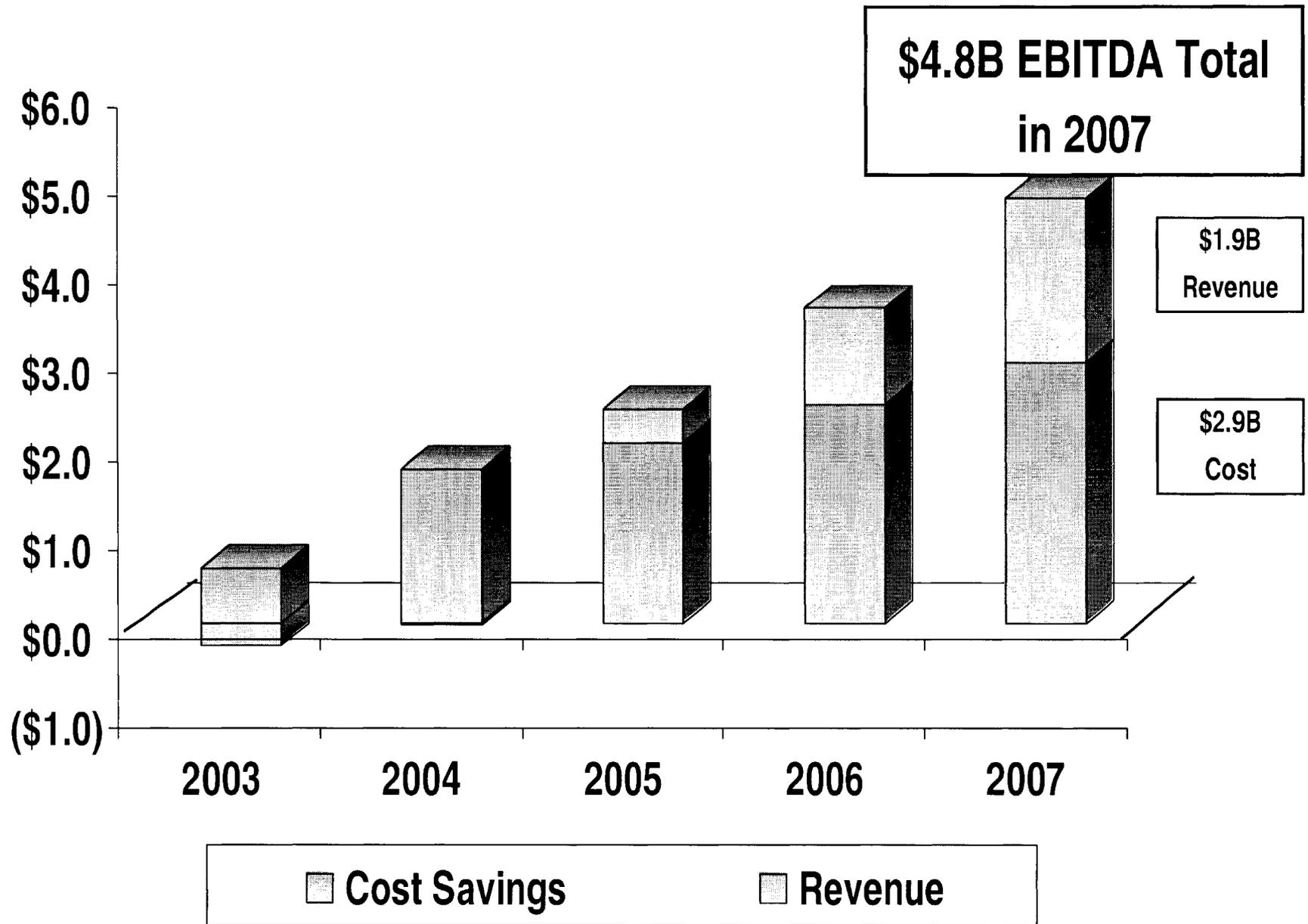
- Merger provides spectrum and critical mass to reach 5 million residential subscribers in 5 years after launch
- Price and service competitive with terrestrial broadband
- Rapid ramp-up:
 - Reduces CPE costs
 - Utilizes satellite capacity and lowers per-subscriber space segment costs
 - Achieves efficient installation, billing, and customer service operations

Broadband Models

We have shown that:

- Each company alone would not provide nationwide residential broadband.
- New EchoStar would find it in its interest to do so.

Synergies (\$B)



Competitive Effects (Economists)

- The churn data show that cable providers are each firm's closest competitors
- Simulation analysis predicts that the merger will lead to lower prices and consumer welfare benefits of significantly more than \$1 billion per year
 - Local-into-local expansion and marginal cost savings alone will achieve consumer benefits of more than \$1 billion per year
 - Expansion of services, including HDTV, Broadband and VOD will improve consumer welfare by an additional \$700 million per year
 - Expected response of cable to these expanded services would further increase consumer welfare benefits by an amount that is difficult to quantify
- Price discrimination would continue to be implausible
- Coordination between New EchoStar and cable providers nearly impossible

Opposition Filings/Arguments

NRTC/Pegasus

- Currently in litigation with DIRECTV
 - NRTC/Pegasus seek to use the merger proceeding to their strategic advantage in the litigation
 - NRTC/Pegasus continue to charge customers \$3 more than DIRECTV and EchoStar in their areas
- Falsely assert that merger would create a “monopoly”
 - Cable is the primary competitor
 - Cable serves the overwhelming majority of the US
 - One Nation, One Rate Card

Opposition Filings/Arguments

NRTC/Pegasus

- Incorrectly assert that merger not needed for expansion of local broadcast channels
 - “Super Satellite” proposals neither technically nor economically feasible
 - Current capacity and economic resources of individual companies limited
 - Only merged entity would be able to serve all 210 DMAs
- Incorrectly assert merger would harm satellite broadband competition
 - Merger will create the first true broadband alternative to DSL and cable
 - One Nation, One Rate Card

Opposition Filings/Arguments

NRTC/Pegasus

- Incorrectly allege that merger would harm consumers
 - Merger will result in lower prices
 - Over \$1 billion a year in consumer welfare benefits
- Incorrectly exaggerate number of non-cable homes
 - NRTC/Pegasus present flawed data
 - In any event, non-cable homes are not concentrated in rural or sparsely populated states
- Incorrectly assert that merger will result in harmful vertical integration
 - Post-merger Vivendi will have < 5% equity interest
 - No strategy exists to acquire programmers

Opposition Filings/Arguments

NAB

- Unclear why NAB opposes merger when hundreds of television stations will benefit from expansion of local-into-local to all 210 DMAs
- Majority of arguments duplicative of NRTC/Pegasus and addressed above
- Incorrectly asserts programmers will face lower retransmission fees
 - Programmers protected by must carry
 - Cable competition provides bargaining power
 - No evidence of higher fees in DMAs served by only one DBS provider

Opposition Filings/Arguments

NAB

- Incorrectly alleges that merger will harm video programming diversity
 - Merger will increase available capacity allowing more diverse programming
 - Cable will remain the primary consumer and driver of programming
- Incorrectly alleges that Applicants cannot be trusted
 - DIRECTV, Hughes and EchoStar have a history of integrity and meeting promises made
 - FCC has the power to enforce its orders

Conclusion

- **Free Up Scarce Spectrum, Allowing “Local-into-Local” Satellite Service to All DMAs, 12 High Definition Channels, Near Video on Demand Service and Other Services by Satellite**
- **Create Effective Competition with Dominant Cable Providers – Curb Soaring Cable Rates**
- **Produce Real, Multi-Billion Dollar Efficiencies**
- **Result in Consumer Benefits Significantly Greater than \$1 Billion a Year**