September 10, 2003

BY ELECTRONIC FILING

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Consolidated Application of General Motors Corporation, Hughes Electronics Corporation, and The News Corporation Limited for Authority to Transfer Control (MB Docket No. 03-124)*

Dear Ms. Dortch:

In this proceeding, General Motors Corporation ("GM"), Hughes Electronics Corporation ("Hughes"), and The News Corporation Limited ("News Corp.") (collectively, the "Applicants") have identified a number of transaction-specific public interest benefits that will result from News Corp.'s proposed investment in Hughes.[1] Applicants have also provided estimates of the monetary value of the synergies and efficiencies arising from the transaction.[2]

No party in this proceeding has challenged the Applicants' assertions that News Corp. brings a wealth of proven expertise in the media industry generally and in the direct-to-home satellite services specifically, or that the transaction will produce economies of scope and scale. However, some commenters contend that the specifics of some benefits are not sufficiently developed in the record of this proceeding.[3] Applicants believe that such an assertion is unfounded as a matter of both law and fact.[4] Nonetheless, Applicants submit with this letter additional materials that provide further specification and quantification of the public interest benefits arising from the proposed transaction.

---

1 *See, e.g.,* Consolidated Application for Authority to Transfer Control, MB Docket No. 03-124, at pp. 16-44 (filed May 2, 2003) ("Application").

2 *See id.* at Exhibit E (Declaration of Peter Giacalone).

3 *See, e.g.,* Reply Comments of the American Cable Association, MB Docket No. 03-124, at p. 9 (filed July 1, 2003).

4 *See, e.g.,* Opposition to Petitions to Deny and Reply Comments, MB Docket No. 03-124, at pp. 78-80 (filed July 1, 2003)(discussing legal standard and comparing the public interest showing in this case to those in prior proceedings).

Attachment 1 hereto is a Declaration of Citigroup Global Markets, Inc., which discusses the improved access to capital that will arise from Hughes' new structure as an independent public company no longer controlled by – and competing with the automotive priorities of – General Motors, and the concomitant ability to fund new development initiatives that will improve the Hughes satellite businesses. Such funding will enable Hughes to develop and implement the range of innovative products and services (such as interactive television, and increases in HDTV and local-into-local programming) discussed in the Application.

Attachment 2 hereto is a timeline of the development of British Sky Broadcasting plc ("BSkyB") that correlates gains in subscribers with service innovations and increases in the number of programming channels offered. This additional specificity provides even more grounding for the Commission's predictive judgment that approval of the transaction will translate to a similar pattern of innovation and customer benefit within the Hughes satellite businesses.[5]

In addition, Applicants recently filed an economic analysis in which Charles River Associates, Inc. ("CRA") provided an explicit quantification of another benefit arising from the proposed transaction – the reduction of double marginalization.[6] As explained by CRA, this is a classic efficiency that can be expected to arise out of a transaction involving vertical integration.

Given the public interest benefits of the proposed transaction, and the absence of anticompetitive harm, the Commission should find that grant the Application expeditiously as in the public interest.

Sincerely,

\s\

William M. Wiltshire
Michael D. Nilsson
HARRIS, WILTSHIRE & GRANNIS LLP
1200 Eighteenth Street, N.W.
Washington, DC 20036
202-730-1300

Counsel for The News Corporation Limited

---

[5] All of these materials expand upon benefits discussed in prior submissions and further demonstrate News Corp.'s proven track record in these areas. *See, e.g.,* Application at pp. 21-23 (BSkyB experience) and 38-39 (improved capital structure).

[6] *See* "News Corporation's Partial Acquisition of DIRECTV: A Further Economic Analysis," Charles River Associates, Inc., dated Sept. 8, 2003, at pp. 22-25 and Appendix 1 (attached as Exhibit 1 to Letter from William M. Wiltshire, *et al.* to Marlene H. Dortch, dated Sept. 8, 2003).

\s\
Gary M. Epstein
James H. Barker
John P. Janka
LATHAM & WATKINS
555 11th Street, N.W.
Suite 1000
Washington, DC 20004
202-637-2200

\s\
Richard E.Wiley
Lawrence W. Secrest III
Todd M. Stansbury
WILEY REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006
202-719-7000

Counsel for General Motors Corporation and Hughes Electronics Corporation

Attachments

ATTACHMENT 1

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

Application of	)	
GENERAL MOTORS CORPORATION AND HUGHES ELECTRONICS CORPORATION,	)	
Transferors,	)	
and	)	MB Docket No. 03-124
THE NEWS CORPORATION LIMITED,	)	
Transferee,	)	
For Authority to Transfer Control	)	

DECLARATION OF CITIGROUP GLOBAL MARKETS INC.

1. Citigroup Global Markets Inc. ("CGMI") is advisor to The News Corporation Limited in its investment in Hughes Electronics Corporation ("Hughes").

2. This Declaration summarizes our views on some of the financial benefits to Hughes and holders of General Motors Corporation's ("GM") Class H Common Stock ("GMH Stock"), of a split-off of Hughes by GM and the redemption of GMH Stock, which is a tracking stock ("Letter Stock") of GM, through issuance of an asset stock ("Asset Stock") of Hughes. These benefits take two principal forms: (i) improved access to the financial markets, and (ii) not having to compete with the automotive business for available capital from Hughes' parent company, GM. We believe that the combination of these two benefits should increase Hughes' financial flexibility and lower its cost of capital.

3. There are currently only nine Letter Stocks listed on the NYSE, with an aggregate market capitalization of approximately $51 billion. This compares to over 2,700 NYSE listed Asset Stocks with an aggregate market capitalization of almost $10 trillion. The broad investor universe is less familiar with the Letter Stock structure (including governance, economic versus legal ownership of underlying assets, voting rights and other considerations) than Asset Stocks, as such stocks represent less than 1% of the market capitalization of the NYSE. Since 1998, U.S. corporate issuers have issued $1.143 trillion of equity and equity-linked securities in the public markets in 5,146 transactions. Letter Stocks have been sold in only 0.4% of those offerings, raising only 2% of the aggregate proceeds. Attached hereto as Exhibit 1 is a table providing data for equity and equity-linked issuances.

4. The transition of Hughes from Letter Stock to Asset Stock should improve Hughes' ability to access the equity and equity-linked markets because the universe of knowledgeable/willing investors is expected to increase. Broadening the target investor universe should increase ease of market access as well as structural flexibility for Hughes.

5. Although valuation data on Letter Stocks is limited, we have examined three examples presented in Exhibit 2 hereto – the spin off by US WEST of MediaOne, the split-off by GM of EDS and the spin-off by AT&T of AT&T Wireless. These transactions were not executed in conjunction with an M&A transaction and were selected to determine if evidence exists to support a conclusion that Letter Stocks trade at a valuation discount to comparable Asset Stocks. We believe the data supports the conclusion that there is a valuation discount relative to comparable Asset Stocks. MediaOne appreciated 8.8% on the day following announcement, and sustained an 8.0%

increase in the 5 trading days subsequent to announcement. EDS appreciated 0.8% on the day following announcement. AT&T Wireless declined 2.3% on the day following announcement, but appreciated 4.2% in the 5 trading days subsequent to announcement.

6. GM has had to choose between the funding requirements of the automotive business and the satellite communications business – two distinct, highly competitive and capital intensive endeavors. GM has large legacy costs and its pension plans are currently underfunded. In July 2003, GM raised $13.5 billion in debt securities which proceeds may be contributed to its pension plans. However, even if all of those proceeds went to this purpose, they would not eliminate GM's $19.3 billion unfunded pension liability as of December 31, 2002 – a shortfall that could continue to limit the financial flexibility of GM. We believe that, as an independent company with an asset-based stock, Hughes will be able to determine its own capital requirements and how best to fund them.

Executed on September 10, 2003

CITIGROUP GLOBAL MARKETS INC.

Exhibit 1

Equity Offerings 1998 – Present: Asset vs. Letter Stocks

($ in millions)

Proceeds

	IPO		SEC		Convert	
	Asset	**Letter**	**Asset**	**Letter**	**Asset**	**Letter**
1998	$36,953	$0	$71,196	$0	$53,831	$75
	100.0%	0.0%	100.0%	0.0%	99.9%	0.1%
1999	$64,602	$857	$102,660	$610	$50,631	$750
	98.7%	1.3%	99.4%	0.6%	98.5%	1.5%
2000	$54,706	$10,690	$115,015	$855	$88,251	$0
	83.7%	16.3%	99.3%	0.7%	100.0%	0.0%
2001	$34,746	$0	$73,063	$5,028	$140,498	$3,059
	100.0%	0.0%	93.6%	6.4%	97.9%	2.1%
2002	$21,782	$980	$64,155	$0	$61,502	$0
	95.7%	4.3%	100.0%	0.0%	100.0%	0.0%
2003	$5,052	$0	$32,732	$0	$72,295	$0
	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Sub Total	**$217,847**	**$12,527**	**$458,825**	**$6,493**	**$467,012**	**$3,884**
	94.6%	**5.4%**	**98.6%**	**1.4%**	**99.2%**	**0.8%**
TOTAL	**$1,143,684**	**$22,905**				
	98.0%	**2.0%**				

Number of Deals

	IPO		SEC		Convert	
	Asset	**Letter**	**Asset**	**Letter**	**Asset**	**Letter**
1998	361	0	555	0	186	1
	100.0%	0.0%	100.0%	0.0%	99.5%	0.5%
1999	503	4	443	1	149	1
	99.2%	0.8%	99.8%	0.2%	99.3%	0.7%
2000	388	2	417	1	197	0
	99.5%	0.5%	99.8%	0.2%	100.0%	0.0%
2001	89	0	396	4	301	4
	100.0%	0.0%	99.0%	1.0%	98.7%	1.3%
2002	79	1	387	0	175	0
	98.8%	1.3%	100.0%	0.0%	100.0%	0.0%
2003	24	0	222	0	240	0
	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Sub Total	**1,449**	**7**	**2,425**	**6**	**1,253**	**6**
	99.5%	**0.5%**	**99.8%**	**0.2%**	**99.5%**	**0.5%**
TOTAL	**5,127**	**19**				
	99.6%	**0.4%**				

Exhibit 2

Evidence of Tracking Stock Discount in US WEST / MediaOne Spin-Off

MEDIAONE PRICE PERFORMANCE BEFORE AND AFTER ANNOUNCEMENT OF SPIN-OFF

Pre-Announcement	Closing Price on Dates Post Announcement		
	Day 0	1-Day	5-Days
Day 0		8.8%	8.0%
1- Day	(8.7%)	(0.7%)	(1.4%)
5-Days	(0.8%)	7.9%	7.2%

EXCESS OF MEDIAONE PRICE PERFORMANCE OVER AVERAGE PRICE PERFORMANCE OF COMCAST, CABLEVISION AND COX

Pre-Announcement	Closing Price on Dates Post Announcement		
	Day 0	1-Day	5-Days
Day 0		6.0%	2.9%
1- Day	(2.2%)	3.3%	0.4%
5-Days	1.3%	7.3%	4.3%

Evidence of Tracking Stock Discount in GM / EDS Split-Off

EDS PRICE PERFORMANCE BEFORE AND AFTER ANNOUNCEMENT OF SPLIT-OFF

Pre-Announcement	Closing Price on Dates Post Announcement		
	Day 0	1-Day	5-Days
Day 0		0.8%	(0.5%)
1- Day	5.7%	6.6%	5.2%
5-Days	4.8%	5.7%	4.3%

EXCESS OF EDS PRICE PERFORMANCE OVER AVERAGE PRICE PERFORMANCE OF IBM AND COMPUTER SCIENCES

Pre-Announcement	Closing Price on Dates Post Announcement		
	Day 0	1-Day	5-Days
Day 0		1.3%	(1.9%)
1- Day	5.0%	6.3%	3.0%
5-Days	5.0%	6.3%	3.1%

Evidence of Tracking Stock Discount in AT&T / AT&T Wireless Spin-Off

AT&T WIRELESS PRICE PERFORMANCE BEFORE AND AFTER ANNOUNCEMENT OF SPIN-OFF

Pre-Announcment	Closing Price on Dates Post-Announcement		
	Day 0	**1-Day**	**5-Days**
Day 0		(2.3%)	4.2%
1-Day	(4.1%)	(6.2%)	0.0%
5-Days	7.9%	5.5%	12.5%

EXCESS OF AT&T WIRELESS PRICE PERFORMANCE OVER AVERAGE PRICE PERFORMANCE OF NEXTEL

Pre-Announcment	Closing Price on Dates Post-Announcement		
	Day 0	**1-Day**	**5-Days**
Day 0	0.0%	(1.9%)	16.0%
1-Day	(6.9%)	(8.7%)	9.2%
5-Days	(4.9%)	(7.0%)	12.9%

ATTACHMENT 2

BRITISH SKY BROADCASTING TIMELINE

Date	Satellite Subscribers	Innovation	Channels
1989		Sky Television launches UK Direct-to-Home service via the Astra satellite with a four-channel network. Subscriber Management Center opens in Scotland.	4
1990		Sky reaches one million UK homes. Sky Movies becomes the first UK encrypted channel. British Satellite Broadcasting (BSB) launches, and then Sky and BSB merge to form British Sky Broadcasting (BSkyB).	
1991		Nine channels from BSB and Sky are streamlined into a five channel network: Sky Movies, The Movie Channel, Sky Sports, Sky One and Sky News	5
1992		BSkyB secures exclusive rights to live FA Premier League football coverage.	
1993	1,861,000 (all analog)	BSkyB launches Sky Multi-Channels with a package of 14 channels at basic subscription level.	14
1994	2,541,000 (all analog)	17% of BSkyB is floated on the UK and US Stock Exchanges. Sky Sports 2 launched along with a further four channels.	19
1995	2,893,000 (all analog)	BSkyB enters the FTSE 100 index as total cable and satellite subscribers exceed 5 million. A second customer management center opens in Scotland. A further six channels launch, including The Disney Channel and The History Channel.	25
1996	3,250,000 (all analog)	5.5 million households in the U.K. and Ireland now receive Sky channels across all platforms.	
June 1997	3,532,000 (all analog)	Satellite and cable channels achieve a new record audience in June, accounting for 51% of total viewing in multi-channel homes.	40
December 1997		Launch of pay-per-view movies on Sky Box Office	
June 1998	3,547,000 (all analog)		
October 1998		BSkyB launches the UK's first digital TV service, Sky digital, offering 140 channels. More than 100,000 decoders are sold in the first 30 days.	140
December 1998	3,458,000 (225,000 digital)	Churn reduced to 11.2% from 15.4%; customer satisfaction rates for digital are 25% higher than for analog. Over seven million homes now receive Sky channels across all platforms.	

May 1999		BSkyB offers free set-top boxes and satellite receiving dishes to hasten digital transition from May 1999 onward, and becomes the fastest growing digital platform in Europe, acquiring 1.2 million subscribers in just 10 months.	
June 1999	3,460,000 (753,000 digital)		
August 1999		Sky Sports Extra launches, offering the world's first interactive football coverage.	
October 1999		BSkyB pioneers interactive services Sky Sports Extra and launches Open interactive TV services, offering a range of shopping, banking, e-mail, information, games and entertainment by leading names.	
December 31, 1999	3,966,000 (Over 2,300,000 digital)	Sky channels now reach 8.4 million subscribers (cable and satellite). Annualized churn rate reduced to 10.9%; cumulative digital churn rate less than 1% since inception.	
March 2000		First interactive advertising campaigns are screened. Sky is awarded honors from the Royal TV society for outstanding services to TV and for innovations in sports coverage.	
April 2000		BSkyB is awarded the Computerworld Smithsonian Laureate Medal, for its pioneering role in the launch of digital and interactive television.	Over 170
June 2000	4,513,000 (3,583,000 digital)	Sky News Active launches the world's first interactive TV news service, enabling viewers to select the subject matter and information they want to see.	
December 2000	5,051,000 (4,669,000 digital)	Having reached target of five million DTH subscribers ahead of schedule (in November 2000), BSkyB sets a new target of 7 million DTH subscribers by the end of 2003. Annualized churn rate reduced to 9.8%. Launch of SkyText Digital - BSkyB viewers can send text messages to any U.K. mobile network using the Sky remote control or cordless keypad.	

June 2001	5,453,000 (5,300,000 digital)	Enhanced programming provided for third party broadcasters – since then the main events have been: • Big Brother 2: June 2001 (over 700,000 viewers vote using their remote control) • Big Brother 3: June 2002 • Big Brother 4: June 2003 • Who Wants to be a Millionaire: December 2002 • I'm a Celebrity Get Me Out of Here: May 2003	
September 2001	5,498,000 (all digital)	BSkyB switches off its analog signal, as integration to digital service is completed, 15 months ahead of schedule. BSkyB introduces Sky digital Personal Planner, which allows viewers to create their own personalized TV schedules and allows for automatic channel switching when their favorite show is about to begin.	
September 2001		BSkyB launches Sky+, Europe's first fully integrated digital video recorder, with a 40 gigabyte advanced hard drive and two digital tuners, allowing viewers to watch one channel while recording another.*	
December 31, 2001	5,716,000 (all digital)	Annualized churn rate is 10.4%.	
January 2002		British Sky Broadcasting and Formula One Management reach an agreement to broadcast live interactive coverage of the F1 Grand Prix series on Sky digital. Sky digital offers exclusive interactive coverage – with a choice of TV views and camera angles – across all three days of each Grand Prix weekend in the 2002 and 2003 seasons.	
February 2002		The Royal Television Society named Sky News the News Channel of the Year for 2001.	
April 2002		Sky News wins its first BAFTA (British Academy of Film and Television Awards) for its coverage of the September 11 terrorist attacks	
June 2002	6,101,000 (all digital)	Sky breaks through 6 million subscribers. Digital churn (annualized rate of 10.5% for the fiscal year) is particularly encouraging as over 75% of the DTH subscriber base are out of their initial 12 month contract period.	Over 370

*** Note:** The Sky+ software has been upgraded 4 times since launch, with upgrades being received by all customers (and at no incremental cost).

September 2002		BSkyB wins the Best Design category at the European Call Center of the Year Awards. Sky launches the first national interactive digital television service in Ireland.	
November 2002		BSkyB digital platform receives the Judges Award for Technical Innovation at the Royal Television Society Awards, for superb picture and sound quality, advanced interactivity, electronic program guide, and near video on demand. Online connections to Sky Active in the year to November were over 35 million from 3.6 million unique households. Running totals to date include 4.5 million e-mail sessions, 2.5 million plays of Sky Sports Quiz, 2.0 million text messages sent to mobile phones, 5 million paid for plays of Tetris and 2.6 million votes on Sky News Active.	
December 2002	6,562,000 (all digital)	Annualized churn rate falls to 9.4%. Sky one mix, a multiplex version of Sky One, was successfully launched in December to offer subscribers an alternative chance to see their favorite shows. BSkyB launches Sky Gamepad, the UK's first digital TV games controller, following the success of Sky's gaming portal Gamestar, the most popular interactive TV service in the UK and Ireland. • Play against up to four people in a household • Infrared – no wires • Enhanced gameplay	
April 2003		BSkyB launches three new music television channels on Sky Digital; the three channels feature more extensive interactive opportunities than any existing music channel. Each channel has its own dedicated website and individual enhanced TV application, giving viewers the chance to vote for their favorite artists' videos, catch up on the latest music news and take part in exclusive competitions.	

June 30, 2003	6,845,000 (all digital)	BSkyB reaffirms that it will meet its target of seven million subscribers by the end of 2003. Sky+ subscribers reach over 100,000 and there are 165,000 subscribers to the Extra Digibox Annualized churn rate steady at 9.4%. Sky Active interactive television service now provides 45 live applications and 30 shops. Sky Active is offered to all DTH homes with approximately half of all subscribers using the service each week.	Over 395
August 2003		BSkyB successfully bid for all four packages of exclusive live UK rights to FA Premier League football from the beginning of the 2004/05 season to the end of the 2006/07 season. For the first time in British television history, more people tuned in to satellite and cable channels during August 2003 than watched BBC1. Sky sets a target of 8 million subscribers by the end of 2005.	
September 2003		BSkyB announces new pricing structure for Sky+ (waiving monthly subscription fee for customers on any package with two or more of Sky's premium sports or movie channels) to drive penetration of DVR technology.	