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May 31, 2002

**ELECTRONICALLY FILED**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Washington, DC 20054

Re: **Ex Parte Notice – Consolidated Application of EchoStar  
Communications Corporation, Hughes Electronics Corporation, and  
General Motors Corporation for Authority to Transfer of 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, General Motors Corporation and Hughes Electronics Corporation ("Hughes") submit this letter to report that, at the Commission's request, representatives from Hughes had a telephone conference with representatives from the Commission on May 30, 2002. Participants included Steven Cox, Executive Vice President of Sales and Distribution, DIRECTV, Inc.; Merrill Spiegel, Vice President of Government Affairs, DIRECTV, Inc.; Hilary Hatch, Assistant General Counsel, DIRECTV, Inc.; and the undersigned outside counsel. The participants from the Commission were Marcia Glauber, C. Anthony Bush, James Bird, David Sappington, Alex Belinfante, Tracy Waldon, and Donald Stockdale.

Participants from the Commission asked a variety of specific questions including (1) how and from where consumers can purchase equipment through which they can receive DIRECTV programming; (2) how such equipment is installed and activated; (3) how DIRECTV compensates retailers that sell such equipment; (4) whether DIRECTV makes direct subsidy payments to equipment manufacturers; (5) how DIRECTV's own direct sales channel operates; and (6) whether equipment leasing options are available.

DIRECTV representatives provided factual descriptions of the process by which customers purchase equipment from a retail outlet, set up an appointment with a professional

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installer, and then activate their service during a telephone conversation with a DIRECTV customer service representative. DIRECTV representatives clarified that DIRECTV does not make direct subsidy payments to equipment manufacturers. The practice of providing retailers with cooperative advertising funds, commissions, installation incentive payments, and continuing service fees, however, has the effect of subsidizing the price retailers charge consumers for equipment and installation.

DIRECTV representatives explained that these subsidies help retailers offer consumer packages such as “a satellite dish and a set-top box both professionally installed for only \$49.” Steve Cox discussed that competition from digital cable has led DIRECTV to promote and subsidize retailers’ sale and installation of equipment such that a one-room DIRECTV system installed is now available for \$49 or less to all consumers nationwide, regardless of whether they purchase such equipment from their local retailer or through DIRECTV’s direct sales channel.

In terms of DIRECTV’s direct sales channel, DIRECTV representatives explained that DIRECTV buys equipment from manufacturers and sells it to customers in much the same way that retailers do. In the case of the direct sales channel, because there are no cooperative advertising funds, commissions, installation incentive payments, or continuing service fees, DIRECTV effectively invests an amount of capital to support each sale. In both retail and direct sales situations, the point of these subsidies is to gain customers who will provide monthly revenue to DIRECTV by purchasing DIRECTV programming packages. To this end, DIRECTV makes its subsidies to retailers contingent on new customers signing up for an annual commitment to at least the DIRECTV Total Choice programming package.

DIRECTV representatives also explained that for the small number of potential customers who prefer to lease equipment, a leasing program is available only through the direct sales channel.

Commission representatives also asked whether DIRECTV has data on the following items: (1) the prices consumers have paid retailers for equipment over time; (2) the prices charged by DIRECTV’s direct sales channel over time; (3) historical data on how much DIRECTV has paid for the equipment it has sold through its direct sales channel since 2001; (4) data showing how many customers took which DIRECTV programming packages over time, by zip code; and (5) a list of cable competitors, by zip code.

DIRECTV representatives explained that it does not have data on what retailers have been charging for equipment. DIRECTV representatives agreed to search for the other data requested and either provide it to the Commission or indicate that the data is not available.

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Finally, Commission representatives asked for a few other items, such as a table of data showing the angles of elevation at which satellite dishes need to be set to receive DIRECTV programming in each zip code. DIRECTV representatives agreed to provide this information as soon as possible.

Respectfully submitted,

/s/ Gary M. Epstein

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