

The pending merger of EchoStar and Hughes announced on October 28, 2001, would provide significant, tangible benefits to American consumers, particularly in rural markets, by providing an effective and viable alternative to cable companies who have virtually ignored much of rural Montana because they have a monopoly power in virtually every market they serve.

Efficiencies resulting from the merger will enable the new company, which will be named EchoStar and use the Direct TV brand, to provide stronger competition to the entrenched cable firms that now control more than 80% of U. S. pay television households.

The New Echostar will provide more local television channels and high speed Internet. In fact, the New Echostar has committed to providing each state with at least one local market of full programming. For Montana, that means the entire state would have access to all of the television stations broadcast in Missoula, which included the MTN News Network. Without the merger, satellite television will have limited bandwidth to provide local programming to only 80 of the total 211 television markets in the country. Montana's biggest television market stands at 169 on the list. Glendive, Montana holds the dubious distinction of being the smallest market in the country, standing at 211. Clearly, Montana, based on its low rank on the television market totem pole, would never receive any local programming by satellite without this merger.

Currently each satellite company must buy programming separately. (i.e., Disney, CNN, A&E, Discovery channels). Therefore, each company duplicates program offerings, using precious bandwidth that could be directed to more local programming and high speed Internet. By having more capacity, the new company can offer these services at more competitive prices, regardless of whether or not the consumer has access to cable.

The merger will allow Echostar to provide meaningful competition with cable and telephone companies as a virtual third line into the home for a bundle of video/data/Internet services. Competitively priced, high-speed Internet access via satellite will particularly benefit those in rural areas, especially businesses and schools that do not have access to cable modem service or DSL. The merger will also help bridge the digital divide without the need for government loans that are currently being requested by various cable and telephone providers.

Since its inception, direct broadcast satellite TV providers have offered uniform nationwide pricing structures, and EchoStar has guaranteed that it will continue this practice. Nationwide pricing offers pricing offers customers in rural America the full benefits of the rigorous competition occurring in urban and suburban areas. The combined company will also generate economies of scale and other efficiencies, such as lower costs for programming, administration and operations that would reduce overall operating costs. By increasing competition with cable, the merger will force other video providers to increase their competitiveness—in price quality and service—to the benefit of consumers across the country.

Without the merger, neither EchoStar nor Hughes will have the satellite bandwidth or economies of scale in the foreseeable future necessary to expand high speed Internet services and local network TV channels to rural America. However, by combining the EchoStar and Hughes' customer bases and satellite resources, the new company can spread the cost of offering these services over the entire subscriber base. This reduces the company's multi-billion dollar

financial investments, and with these costs savings, the new company can offer more competitive, uniformly price services.

On behalf of Montana's rural communities, and rural communities across this country, we encourage you to approve the Echostar/HughesDirectTV merger.

Sincerely,
Dave Lewis
State Representative
House District 54
Montana