

# KELLER AND HECKMAN LLP

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May 13, 2002

## Via Electronic Filing

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Office of the Secretary  
445-12th Street, SW  
Washington, DC 20554

**Jack Richards**  
(202) 434-4210  
Richards@khlaw.com

**Re: Notice of Written Ex Parte Presentation;  
Application of EchoStar Communications Corporation,  
General Motors Corporation and Hughes Electronics Corporation,  
Transferor, and EchoStar Communications Corporation, Transferee,  
For Authority to Transfer Control  
CS Docket Number 01-348**

Dear Ms. Dortch:

On April 16, 2002, the undersigned and other representatives of our client the National Rural Telecommunications Cooperative (NRTC) met with Commission staff in connection with NRTC's Petition to Deny the above-captioned Application.<sup>1</sup> Dr. Paul W. MacAvoy of Yale University, an economic expert acting on behalf of NRTC in this proceeding, participated in the meeting.<sup>2</sup>

During the meeting, Commission staff requested that Dr. MacAvoy submit additional information regarding his elasticity estimate. In particular, he was asked to analyze the impact on elasticity when he used a full set of data in his demand regression rather than only the first half of the data that contained relatively higher prices. Dr. MacAvoy's response is attached. As indicated, his analysis using the full data set shows that the difference is only -.14, which is close to his original estimate using only the first half of the data.

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<sup>1</sup> See, *NRTC Ex Parte Letter*, CS Docket No. 01-348 (April 17, 2002). See also *Petition to Deny By The National Rural Telecommunications Cooperative*, CS Docket No. 01-348 (*NRTC Petition*) (February 4, 2002); *NRTC Ex Parte Reply to Opposition*, CS Docket No. 01-348 (*NRTC Reply*) (April 4, 2002).

<sup>2</sup> *NRTC Petition*, Exhibit I; *NRTC Reply*, Exhibit 1.

Ms. Marlene H. Dortch  
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LAW OFFICES

Should you have any questions or require any additional information, please feel free to contact the undersigned.

Sincerely,

  
Jack Richards

cc: Jim Bird  
C. Anthony Bush  
Neil A. Dellar  
Kiran Duwadi  
Barbara Esbin  
Marcia Glauberman  
Julius Knapp  
JoAnn Lucanik  
David Sappington  
Royce Dickens Sherlock  
Marilyn Simon  
Donald Stockdale  
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Harry Wingo  
Qualex International  
Pantelis Michalopoulos  
*Counsel for EchoStar Communications Corporation*  
Gary M. Epstein  
*Counsel for General Motors Corporation and Hughes Electronics*

**Query: How does the elasticity estimate from the first half data change when you use the full data set in the demand regression?**

My reported elasticity (-1.55), is obtained using only the first half of the data where prices are relatively higher. The rationale for using the high-price half of data is that the post merger price is likely to be in this half. In order to compare the elasticity obtained from the first half (low price half) to the one with the second half, we consider a simple regression:

$$\begin{array}{l} \text{Log(number of subscribers)} = \\ \text{constant} + b_1 * \log(\text{price}) + b_2 * \log(\text{density}) + b_3 * \log(\text{population}) + b_4 * \text{dummy (1 if 2nd half)} \\ 4.64 \quad -1.44 \quad -0.14 \quad 0.98 \quad -0.14 \\ (2.39) \quad (.60) \quad (.029) \quad (.033) \quad (.073) \end{array}$$

$$R^2 = .91$$

Total number of DMA: 166

The estimated elasticity using the full sample is slightly lower (-1.44) in magnitude than the estimate obtained using only the first half data, which is -1.55. There is a slight but statistically significant difference in elasticity between the first half and the second half data. The first half has a slightly lower elasticity in magnitude than the one obtained from the second half data. The difference is small (-.14), and the new estimate using the full sample is close to our estimate using only the first half of the data.