

January 30, 2002

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Proceeding 01-348

Dear Chairman Powell:

In the near future your agency will have the opportunity to let the proposed merger of EchoStar and DIRECTV proceed without delay or crippling conditions. On behalf of the 300,000 members of Citizens for a Sound Economy, I encourage you to take advantage of that opportunity. The merits of the merger certainly pass the public interest test and non-interference with it would also be welcome recognition of the property rights of the affected shareholders.

Satellite TV has provided a welcome competitive alternative to cable in the pay-TV market. The combined EchoStar and DIRECTV could make much more productive use of their now redundant broadcast spectrum and expand their competition with cable.

Since the two proposed merger partners represent approximately 90 percent of the still young satellite TV industry, some critics might ask you to block the merger on the narrow grounds that it would sharply reduce competition in the satellite TV market, while ignoring the expanded competitive benefits the merger would bring to the much larger pay-TV market.

Blocking the merger or unreasonably burdening it with conditions on the grounds of preserving competition in the satellite TV market would be unwarranted for two reasons: First, it presumes that no new technology will appear to compete with satellite. This presumption ignores the history of satellite itself, which was developed as a competitive technology to cable. And second, the combined satellite firm could compete with cable's lower cost structure and huge edge in national broadband deployment. The combined company would also have the critical mass of subscribers to qualify for the discounts that programming providers now give to the biggest cable companies.

For the sake of perspective, let's also keep in mind that EchoStar and DIRECTV between them can only claim 18 percent of the national pay-TV market, while the

big cable companies hold 78 percent. Approval of this merger would not only bring more competitive choice to consumers, it would be a welcome endorsement by government of the free enterprise system.

Sincerely

Jason Thomas
CSE Staff Economist