



Department of Justice

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JUSTICE DEPARTMENT FILES SUIT TO BLOCK ECHOSTAR'S ACQUISITION OF HUGHES ELECTRONICS

Merger of DirecTV and DISH Network Direct Broadcast Satellite Television Systems Would Harm Consumers Across the United States

WASHINGTON, D.C. - The Department of Justice today filed a civil antitrust lawsuit in the U.S. District Court in Washington, D.C., to block the proposed acquisition of Hughes Electronics Corporation by Echostar Communications Corporation. The Department said if the merger were allowed to proceed, it would eliminate competition between the nation's two most significant direct broadcast satellite services – Hughes's DirecTV and Echostar's DISH Network – and would substantially reduce competition in the multichannel video programming distribution business to the detriment of consumers throughout the United States. The Department was joined in its lawsuit by the Attorneys General of 23 states, the District of Columbia and the Commonwealth of Puerto Rico.

“This merger would give Echostar control of the skies for the provision of video programming by satellite, leaving customers to suffer from the resulting reduction in competition,” said Charles A. James, Assistant Attorney General in charge of the Antitrust Division.

"This merger would create a monopoly in those areas where cable television is not available, thereby eliminating the only competitive choice for millions of households. It would leave tens of millions of households – for whom DirecTV, DISH Network, and cable now

compete to provide multichannel video programming distribution service – with a reduction from three to two competitive choices," James continued.

On October 28, 2001, Echostar reached agreement with Hughes, and with Hughes's parent, General Motors Corp., to buy Hughes in a deal then valued at roughly \$26 billion. Echostar's DISH Network direct broadcast satellite television service, with approximately 7.5 million subscribers, and Hughes's DirecTV direct broadcast satellite television service, with approximately 10.9 million subscribers, are by far the nation's most prominent satellite television services. Both firms have experienced significant subscriber growth in the last several years and they control the only orbital slots allocated for direct broadcast satellite service that cover the entire continental United States. According to the complaint, Hughes and Echostar compete vigorously against each other, and this competition leads to substantial benefits to consumers including reduced programming prices, more attractive programming packages, reduced equipment costs, and typically free installation. The proposed merger would eliminate that competition.

The Department gave serious consideration to the efficiencies and new services that the merging parties claimed would result from the transaction. While recognizing that certain efficiencies could result, the Department concluded the parties could not demonstrate any efficiencies likely to result from the merger were sufficient to outweigh the substantial adverse impact of the transaction on competition and consumers.

Similarly, the Department considered a very recent proposal by the merging parties to restructure the transaction in an attempt to remedy the anticompetitive problems inherent in the merger. The Department concluded that even if the proposed concept could be realized, it was unlikely to become a sufficient replacement for the vigorous competition that now exists between Hughes and Echostar within a reasonable period of time.

The Federal Communications Commission announced its objection to the proposed merger on October 10, 2002, and ordered the matter set for an administrative hearing. The Department was joined in its complaint by the District of Columbia, the Commonwealth of Puerto Rico, and the states of: Missouri, Arkansas, California, Connecticut, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maine, Massachusetts, Mississippi, Montana, Nevada, New York, North Carolina, North Dakota, Oregon, Pennsylvania, Texas, Vermont, Washington, and Wisconsin.

Hughes Electronics Corporation, headquartered in El Segundo, California, is a Delaware corporation. It owns DirecTV Enterprises, Inc., a Delaware corporation also headquartered in El Segundo, which operates the DirecTV direct broadcast satellite service, the nation's largest such service. In 2001, Hughes generated \$8.2 billion in revenue, of which \$5.6 billion was generated by its U.S. DirecTV operations.

General Motors Corporation, headquartered in Detroit, Michigan, is a Delaware corporation. It is a major automobile manufacturer and also is the owner of Hughes Electronics.

Echostar Communications Corporation, headquartered in Littleton, Colorado, is a Nevada corporation. It operates the DISH Network direct broadcast satellite service, the nation's second largest such service. In 2001, it generated in excess of \$4 billion in revenue.

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