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April 13, 2001

Ms. Roberta D. Purcell  
Assistant Administrator, Telecommunications Program  
Rural Utilities Service  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Stop 1590, Room 4056-S  
Washington, D.C. 20250-1560

Re: *Public Law 106-553, "Launching Our Communities' Access to Local Television Act of 2000"; Comments of DIRECTV, Inc.*

Dear Ms. Purcell:

By this letter, DIRECTV, Inc. ("DIRECTV")<sup>1</sup> wishes to offer the following brief comments regarding the Rural Utilities Service's ("RUS") implementation of Public Law 106-553, "Launching Our Communities' Access to Local Television Act of 2000" (the "LOCAL TV Act").

DIRECTV is the nation's leading provider of direct broadcast satellite ("DBS") services. Using satellites positioned at various orbital locations over the continental United States ("CONUS"), DIRECTV is a multichannel video programming distributor ("MVPD") that offers digital entertainment, educational and informational programming to subscribers on a nationwide basis using small dish receive antennas. DIRECTV today has more than 9.5 million subscribers.

The LOCAL TV Act provides for a guaranteed loan program intended to facilitate consumer access, on a technologically neutral basis, to signals of local television stations for households located in nonserved areas and underserved areas. Satellite-based carriers, such as DIRECTV, are uniquely capable among MVPDs of delivering innovative multichannel video and audio programming to rural, unserved and underserved areas of the United States, as well as to underserved ethnic constituencies. However, until Congressional enactment of the Satellite Home Viewer Improvement Act (SHVIA), DIRECTV was legally precluded from retransmitting the

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<sup>1</sup> DIRECTV is a wholly-owned subsidiary of DIRECTV Enterprises, Inc., a Federal Communications Commission licensee in the DBS service and a wholly-owned subsidiary of Hughes Electronics Corporation.

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signals of local television stations in most local markets. The SHVIA changed that circumstance, and allowed satellite television companies -- for the first time -- to offer local broadcast channels.

In the wake of the SHVIA's passage, DIRECTV has moved quickly to bring the benefits of that legislation to consumers. While it is difficult to segregate the effect of the availability of local channels from other factors, through the end of 2000, customer acquisition in local channel markets was up about 15 percent compared to similar markets where local channels are not offered. In cable-penetrated markets, the ability to deliver local content enables DIRECTV to offer consumers a service that is fully competitive with cable in terms of content and price in the markets in which DIRECTV is offering local channel service.<sup>2</sup>

DIRECTV, of course, wishes to expand its local channel offering to additional markets. DIRECTV is eligible for and could use a LOCAL TV Act loan guarantee to further this goal. However, DIRECTV wishes the RUS to be aware that, while the availability of loan guarantees may create incentives for some entities to explore expanded local channel offerings, DIRECTV's ability to date to broaden its delivery of local channels has not been limited by access to capital. Despite the good consumer response DIRECTV has already received in the areas in which it has launched its local channel offering, the biggest impediment to serving additional communities is the "must carry" requirement imposed by the SHVIA.

Unlike cable operators, which have the ability to increase their channel capacity almost indefinitely, DBS providers face very tangible channel capacity constraints. There are only three DBS orbital positions that are "full-CONUS" -- that is, capable of serving the entire continental United States. All of the frequencies at those three orbital locations have been licensed by the FCC to DIRECTV and EchoStar Satellite Corporation.

The must carry provision of the SHVIA requires DIRECTV to carry every full-power local broadcast station in a market in which DIRECTV offers any local channels no later than January 1, 2002. This means that DIRECTV must use limited satellite capacity to deliver stations for which, frankly, there is negligible consumer demand. For example, in both New York and Los Angeles, DIRECTV could be required to carry up to 23 stations. Many of these stations have, based on their ratings, minuscule audiences. Carrying such a station is a poor use of limited satellite capacity. And the practical implications of this requirement are clear: by imposing must carry, Congress has decided that it is more important for us to carry all 23 stations in New York and all 23 stations in Los Angeles than to offer the residents of cities such as Buffalo, Harrisburg, Louisville, Mobile, Omaha and Providence even a single channel of local content.

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<sup>2</sup> "Cable Industry Outlook," Credit Suisse First Boston, Feb. 5, 2001, Table 12, DBS versus Digital Cable Offering Comparisons, at 20.

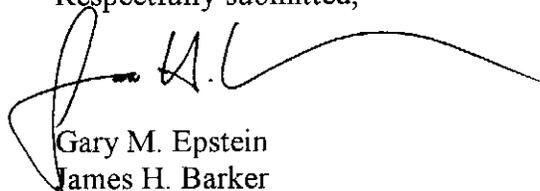
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In order to maximize the local channel opportunity, DIRECTV will launch in the fourth quarter of this year a new high-power spot beam satellite. The spot beam satellite will enable DIRECTV to make the most efficient use of its existing capacity in order to meet the must carry obligation. But DIRECTV would much rather use that new satellite to extend its local channel offering to additional, smaller markets than to use that satellite to deliver little watched channels in markets in which DIRECTV has already substantially satisfied consumer demand for localism.

DIRECTV appreciates the opportunity for comment on the RUS's administration of the Local Television Act, and the RUS's consideration of its views.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "G. M. Epstein" followed by a flourish that extends to the right.

Gary M. Epstein  
James H. Barker  
Counsel for DIRECTV, Inc.