

TESTIMONY OF CHARLIE ERGEN, CHAIRMAN AND CO-FOUNDER
OF DISH NETWORK AND ECHOSTAR
Before the U.S. House Subcommittee on Communications and Technology
June 27, 2012 -- "Future of Video" Hearing

Chairman Walden, Ranking Member Eshoo, Members of the Subcommittee:

Thank you for the opportunity to testify about the future of video.

My name is Charlie Ergen and I am a Co-Founder and the Chairman of DISH Network, the third-largest pay-TV provider in the U.S. I also co-founded and am Chairman of EchoStar, a worldwide leader in satellite services and the design and manufacture of set-top-boxes. We serve approximately 14 million DISH subscribers and employ over 27,000 people throughout the U.S.

I believe that understanding the future of video goes hand in hand with two simple rules:

First, always try to understand what the customer wants.

Second, change is inevitable ... embrace it.

What do customers want? They want to be able to watch programming on their TV sets, on their phones and on their tablets -- no matter where they are. They also want to be able to surf the web or make a phone call -- again, no matter where they are. DISH plans to offer consumers the chance to get all of these services from one company.

At DISH today, we do a good job of efficiently providing fixed video to the home. But customers increasingly want more than just home video. They want mobile video. They want mobile voice. They want mobile data. So, when we look at the future of video, we need to be able to provide all of those communications services to every one of our customers, anywhere and anytime.

Our company is moving in that direction. With innovations like Sling, our customers can use a wireless smartphone or tablet from any location to enjoy the video content that they've already paid for. We recently purchased Blockbuster and are integrating their video content holdings to enhance our on-demand offerings. We are a leading distributor of DVR technology and continue to innovate so that our customers can watch the programming they've paid for whenever, wherever and however they want.

Our new "Prime Time Any Time" and "AutoHop" technology takes the DVR to a new level, giving consumers the choice to more easily view their preferred programming when they want, while skipping what they don't want to see. This means that allowing your kids to watch TV doesn't have to mean they have no choice but to see commercials for junk food and alcohol. Through AutoHop, DISH has done nothing more than improve upon existing, legally-accepted, and widely available technologies that give consumers the ability to record their television shows for playback at a more convenient time, when they are able to fast-forward through or skip over commercials.

These are some of the ways we have responded to our customers' changing needs. But we have further to go.

In the past, we haven't shrunk from "betting the company," so to speak, in order to stay competitive. We went from selling big dishes to launching our own small-dish, DBS business. To give customers what they want, including mobile video, voice, and data, we will have to take a significant risk once again.

Last year, we invested billions of dollars to acquire two bankrupt satellite companies, with the aim of transforming those assets into a next-generation mobile broadband service. We want to provide consumers with the choice in services and providers that they seek. If we're successful, we'll fuel billions of dollars in investment and create tens of thousands of new jobs throughout the United States.

And this brings me to my second rule: foster change; don't ignore it or be afraid of it.

We're prepared to leverage our experience and financial strength to drive communications and entertainment forward and make them more mobile and dynamic than ever before. We can't get started, however, until the FCC releases updated rules governing how our satellite licenses can be used for terrestrial mobile broadband. Given the overwhelming support of the comments received to date, we hope that the FCC will act, and finalize the new rules by the end of the summer. We want to build the most advanced wireless network in the U.S. to compete against the well-established incumbents, but we need to begin as soon as possible to have a chance.

Just as wireless rules must be modernized to keep up with consumers and technology, the rules governing how broadcasters and pay-TV providers reach retransmission agreements are outdated and in need of change.

Twenty years ago, when Congress first adopted the retransmission consent process in the 1992 Cable Act, there was typically only one cable operator in any given market, negotiating with only one broadcaster. Today, there are multiple pay-TV providers in each market, including satellite, telco, small local cable, and large regional cable providers. Then, of course, there are also the new over-the-top video providers like Netflix, Aereo, and others. The broadcaster still maintains a government sanctioned monopoly on network programming in his market, while pay-TV providers face stiff competition from one another. The result is almost always bad for consumers and the free market.

Broadcasters play the pay-TV providers against one another. They cut off the most popular sports and entertainment programming if their demands for drastically higher rate increases are not met. Consumers lose because they cannot see the programming they paid for, they end up paying higher rates, or both. And, the

problem is only getting worse -- with more blackouts and more broadcaster abuses. From where we sit, the broadcasters cling to the status quo instead of meeting consumer demand and embracing new technologies and business models.

The retransmission consent regime is a prime example of an outdated government policy in need of an overhaul by Congress and the FCC. It is incredible to see how much has changed since 1992. Likely, there are few here who used the Internet back then, or had a cell phone. The idea of streaming movies or TV shows to a “smartphone” was science fiction.

Just as businesses must foster change in a rapidly evolving video marketplace to keep pace with what the consumer wants, government should work to ensure its regulations mirror today’s competitive realities, consumer expectations, and advances in technology.

Thank you, and I look forward to answering your questions.