



January 18, 2011

Dear Members of the Special Joint Committee on Georgia Revenue Structure:

With the Special Council on Tax Reform and Fairness for Georgians (the "Council") issuing its final report this month, we respectfully ask you to reject their recommendation to impose a discriminatory tax on satellite TV service

Under the communications services tax proposal, 1.2 million Georgia families would be charged a new 7% excise tax simply because they subscribe to satellite TV. While we appreciate the difficult challenges facing lawmakers in this current economic climate, the Council's decision will have serious consequences for those who rely on satellite.

This tax will force millions of Georgia households to pay more for their television programming when many of them are scaling back their lifestyles and spending more time at home in an effort to make ends meet. It would especially hurt those who live in rural parts of Georgia that cable does not serve and depend on satellite for a reliable signal. For these households, this would be a "rural tax" that punishes them for living where they live.

In making its recommendation, the Council made a specious argument that asserted that its proposed tax is needed because cable pays franchise fees to local governments that satellite TV providers do not pay. Franchise fees, however, are expenses that are inherent to cable's business model—they are not a tax and satellite has no reason to pay them.

Cable and telephone companies pay franchise fees to municipalities for the right to lay tens of thousands of miles of cable in the public rights-of-way. Satellite companies do not need to lay any cable because they deliver their services over the airwaves—and the companies pay for the right to use the airwaves. Satellite companies have paid billions of dollars to the Federal government for the right to use the public airwaves through spectrum auctions and they continue to pay recurring licensing fees. To argue that satellite subscribers should also cover cable's business expenses is tantamount to arguing that airline passengers should cover the cost of railroads laying tracks down. The Council's recommendation would result in satellite subscribers subsidizing cable's cost of doing business.

From court filings to SEC filings, cable companies have acknowledged that franchise fees are an inherent cost of their business. Even the Georgia Municipal Association views franchise fees the same way—i.e., as rent that cable companies pay for the right to access the public rights-of-way.

Accordingly, we strongly object to the Council's recommendation to abolish franchise fees and replace them with a uniform tax on all video services and we urge you to take an immediate stand against the Council's discriminatory recommendation.

Please contact DIRECTV and DISH Network's representative in Georgia, Brian Hudson at (404) 867-3364 should you have any questions.

Sincerely

Handwritten signature of Michael D. White in black ink.

Michael White
President & CEO
DIRECTV, Inc.

Handwritten signature of Charles Ergen in black ink.

Charles Ergen
President & CEO
DISH Network, LLC

Handwritten signature of Joseph Widoff in black ink.

Joseph Widoff
President
SBCA