Testimony of

Mr. Eddy Hartenstein

June 18, 2003

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EDDY W. HARTENSTEIN
Chairman and CEO of DIRECTV, Inc.

before the

United States Senate Committee on the Judiciary
Subcommittee on Antitrust, Competition Policy and Consumer Rights

on

¡§The News Corp./DIRECTV Deal: The Marriage of Content and Global Distribution¡¨

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Chairman DeWine, Senator Kohl, and Members of the Subcommittee, thank you for inviting me to appear before the Subcommittee. I appreciate the opportunity to tell you why the split-off of Hughes Electronics (¡§Hughes¡¨), the parent company of DIRECTV, Inc., from General Motors Corporation (¡§GM¡¨) and the purchase of a 34% interest in Hughes by News Corp., will benefit consumers throughout the United States, whether they are current or future DIRECTV subscribers, or even cable subscribers. As a direct result of this transaction, DIRECTV will be able to improve its service offerings to U.S. consumers and to provide a stronger competitive alternative to cable operators.
Yesterday was the ninth anniversary of the launch of the DIRECTV?¥ service. Despite the rapid growth of direct broadcast satellite (¡§DBS¡¨) since 1994, cable remains the dominant provider of multi-channel pay television in the United States. Cable operators serve approximately 69 million subscribers and pass an estimated 97.5% of U.S. households. In comparison, DBS operators serve about 20 million subscribers.
Mergers and acquisitions of cable operators, as well as the trading and swapping of systems, have resulted in a significant consolidation and clustering of cable operations. Currently, the ten largest cable operators serve about 85% of all U.S. cable subscribers.
Until 1994, there were no serious competitive alternatives to the dominant cable operators. With the launch of DIRECTV¡¦s DBS service, consumers gained access to an alternative provider that offered more channels and superior picture and sound quality as compared to cable. It was not until November 1999, however, when Congress changed the Communications Act and copyright law to allow satellite carriers to retransmit local broadcast channels, that DBS was able to offer a truly competitive alternative to cable -- at least in those markets in which DBS operators

are able to provide local broadcast channels.
The benefits to consumers from DBS competition to cable have been tremendous. As the Federal Communications Commission (¡§FCC¡¨) has noted, in markets in which cable has faced competition from DBS operators offering local broadcast channels, cable operators have responded ¡§in a variety of ways, including lowering prices or adding channels without changing the monthly rate, as well as improving customer service and adding new services such as interactive programming.¡¨ Recently, in a direct response to DBS competition, cable operators have aggressively upgraded their services, including by offering digital cable -- which is perceived by consumers to be qualitatively as good as DBS -- and by combining programming with cable modem services and Internet broadband access packages. Indeed, it is forecast that in the near future -- for the first time -- the number of digital cable subscribers will exceed the total number of DBS subscribers served by DIRECTV and EchoStar combined.
Such developments underscore the need for DBS operators to keep pushing the competitive envelope and to keep innovating, or satellite TV customers will be left behind. DIRECTV already has begun charting this course. For example, in January we announced our intent to offer local channels in more than 100 television markets by the end of this year. Today we offer local channels in 61 markets and are on track to meet our goal of more than 100 markets, assuming the successful launch of our second spot beam satellite in the fourth quarter of this year. We also plan to introduce on July 1 a new high-definition television programming package that will contain four high-definition programming channels, including ESPN HD and Discovery HD Theater, as well as special events broadcast in high-definition.
But we simply cannot stop there. In order to continue improving our service, it is critical that we keep expanding DIRECTV¡¦s programming offerings, and keep providing new and innovative services to consumers.
At a time when DIRECTV requires capital to continue to innovate and compete, however, DIRECTV¡¦s ultimate parent company, GM, is focused on improving its core automotive operations and addressing the need to provide funding for its U.S. pension plans. While DIRECTV has sufficient funding for its current business plans, should circumstances change or if we choose to pursue new initiatives to remain competitive with cable, DIRECTV may need additional funding. It is unlikely that GM will provide such funding. And seeking additional funding in the form of debt also would be difficult because an increase in DIRECTV¡¦s debt load would cause downward pressure on GM¡¦s credit rating.
GM has recognized that an independent Hughes and DIRECTV will have more flexibility to obtain the financing that DIRECTV needs to grow and remain competitive in the future. In addition, GM recognizes that the support of a company with a core competence in the satellite and media industries would enhance DIRECTV¡¦s operations in a variety of ways. After much consideration, GM identified News Corp. as an ideal partner for Hughes and DIRECTV. News Corp. has a proven track record as a global direct-to-home (DTH) service provider and brings a wealth of experience and a history of innovation to Hughes and DIRECTV.
We believe that the proposed split-off of Hughes from GM, and the infusion of investment and entrepreneurial spirit by News Corp., will continue DIRECTV¡¦s evolution into a stronger, more capable competitor to cable. As an independent company, and with News Corp. as a significant investment partner, Hughes will take the DIRECTV business to the next level -- increasing and enhancing DIRECTV¡¦s service offerings even further, and improving the efficiency and quality of DIRECTV¡¦s operations. These results in turn will yield significant benefits to consumers.
For example, with News Corp.¡¦s support, we intend to increase the number of television markets in which DIRECTV provides local broadcast channel service as quickly as is technologically and economically feasible. Individuals residing in those local markets will be able to obtain satellite-delivered news, weather and sports via their local broadcast stations along with the rest of DIRECTV¡¦s diverse programming. And cable operators in these smaller markets will be forced to improve their services in response. For these consumers, it will be a win-win situation.
News Corp. also brings a history of technological innovation and DTH expertise that will be of great value to DIRECTV. Through our combined efforts, we anticipate being able to improve DIRECTV¡¦s technology and increase the efficiency of our use of scarce spectrum resources. Based on this greater efficiency, we intend to expand even further the number of HDTV channels that we offer. Our increased carriage of HDTV programming should encourage consumers to invest in HDTV reception equipment, which in turn will drive an even greater demand for HDTV programming.
DIRECTV¡¦s commitment to diversity in programming also will be strengthened by its affiliation with News Corp. Historically, News Corp. has produced and supported a wealth of culturally, ethnically, and linguistically diverse programming through its Fox film divisions, television network and broadcast stations. We plan to tap into News Corp.¡¦s resources to expand the diversity of DIRECTV¡¦s program offerings.
In sum, the future looks bright for DIRECTV. Independence from GM and the investment by News Corp. will allow DIRECTV to improve and expand its services, and to continue to drive competition in multichannel video programming distribution. As a consequence, consumers will be offered more programming choices and higher quality services -- a result that is manifestly in the public interest.

I realize that I appeared before this Subcommittee just over a year ago touting the benefits of a different transaction. As you know, the Justice Department and the FCC prevented us from consummating that transaction. I believe that the current transaction raises none of the concerns that the DOJ and FCC cited in connection with the prior transaction. For that reason, I am hopeful that these agencies will allow us to move forward quickly with the News Corp. transaction so that we may continue aggressively to pursue the strategy we have pursued since our launch in 1994 -- to offer the best competitive alternative to cable.
I appreciate the opportunity to share my views.

In connection with the proposed transactions, on June 5, 2003, General Motors Corporation (¡§GM¡¨), Hughes Electronics Corporation (¡§Hughes¡¨) and The News Corporation Limited (¡§News¡¨) filed preliminary materials with the Securities and Exchange Commission (¡§SEC¡¨), including a Preliminary Proxy Statement of GM on Schedule 14-A, a Registration Statement of Hughes on Form S-4 and a Registration Statement of News on Form F-4 that contain a consent solicitation statement of GM, a prospectus of News and a prospectus of Hughes. These materials are not yet final and will be amended. Investors and security holders are urged to read the definitive versions of these materials, as well as any other relevant documents filed or that will be filed with the SEC, as they become available, because these documents contain or will contain important information. The preliminary materials filed on June 5, 2003, the definitive versions of these materials, other relevant materials (when they become available), and any other documents filed by GM, Hughes or News with the SEC, may be obtained for free at the SEC¡¦s website, www.sec.gov, and GM stockholders will receive information at an appropriate time about how to obtain transaction-related documents for free from GM.

GM and its directors and executive officers and Hughes and certain of its executive officers may be deemed to be participants in the solicitation of proxies or consents from the holders of GM $1-2/3 common stock and GM Class H common stock in connection with the proposed transactions. Information about the directors and executive officers of GM and their ownership of GM stock is set forth in the proxy statement for GM¡¦s 2003 annual meeting of shareholders. Participants in GM¡¦s solicitation may also be deemed to include those persons whose interests in GM or Hughes are not described in the proxy statement for GM¡¦s 2003 annual meeting. Information regarding these persons and their interests in GM and/or Hughes was filed pursuant to Rule 425 with the SEC by each of GM and Hughes on April 10, 2003. Investors may obtain additional information regarding the interests of such participants by reading the preliminary consent solicitation statement of GM / prospectus of Hughes / prospectus of News filed with the SEC on June 5, 2003 and the definitive consent solicitation statement of GM / prospectus of Hughes / prospectus of News when it becomes available.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Materials included in this document contain ¡§forward-looking statements¡¨ within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. The factors that could cause actual results of GM, Hughes and/or News to differ materially, many of which are beyond the control of GM, Hughes or News include, but are not limited to, the following: (1) operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, which may be greater than expected following the transaction; (2) the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; (3) the effects of legislative and regulatory changes; (4) an inability to retain necessary authorizations from the FCC; (5) an increase in competition from cable as a result of digital cable or otherwise, direct broadcast satellite, other satellite system operators, and other providers of subscription television services; (6) the introduction of new technologies and competitors into the subscription television business; (7) changes in labor, programming, equipment and capital costs; (8) future acquisitions, strategic partnerships and divestitures and the ability to access capital to maintain financial flexibility; (9) general business and economic conditions; and (10) other risks described from time to time in periodic reports filed by GM, Hughes or News with the SEC. Those other risks relating to Hughes include, but are not limited to, the uncertainties regarding the operations of DIRECTV Latin America, LLC, Hughes¡¦ 75% owned subsidiary, which is currently operating under Chapter 11 bankruptcy proceedings, and the performance of its satellites. You are urged to consider statements that include the words ¡§may,¡¨ ¡§will,¡¨ ¡§would,¡¨ ¡§could,¡¨ ¡§should,¡¨ ¡§believes,¡¨ ¡§estimates,¡¨ ¡§projects,¡¨ ¡§potential,¡¨ ¡§expects,¡¨ ¡§plans,¡¨ ¡§anticipates,¡¨ ¡§intends,¡¨ ¡§continues,¡¨ ¡§forecast,¡¨ ¡§designed,¡¨ ¡§goal,¡¨ ¡§outlook,¡¨ ¡§objectives,¡¨ ¡§strategy,¡¨ ¡§target,¡¨ or the negative of those words or other comparable words to be uncertain and forward-looking. This cautionary statement applies to all forward-looking statements included in this document.