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NEWS CORP  
Moderator: Gary Ginsberg  
April 10, 2003/7:30 a.m. CDT

NEWS CORPORATION

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Coordinator

Good morning, and thank you for standing by. Your lines have been placed on a listen-only mode until today's question and answer segment. Today's conference call is being recorded. If you have any objections, please disconnect at this time.

I would now like to turn your call over to Mr. Gary Ginsberg, Executive Vice President of Investor Relations and Corporate Communications. Thank you, sir, you may begin.

G. Ginsberg

Thank you, operator. Good morning, everyone, and thanks for joining us. Today we'd like to briefly summarize the terms of the deal announced yesterday, under which News Corp acquired a 34% interest in Hughes Electronics. We'll explain the rationale behind the deal, and then leave the majority of the time for your questions.

On today's call are Rupert Murdoch, Chairman and Chief Executive of News Corp.; Peter Chernin, President and Chief Operating Officer of News Corp; Lachlan Murdoch, Deputy Chief Operating Officer; Dave DeVoe, Chief Financial Officer; and Chase Carey, who upon completion of the transaction will become President and Chief Executive Officer of Hughes Electronics.

Before I turn the call over to Rupert and then to Chase for their brief remarks, let me first say that News, GM and Hughes intend to file a proxy or consent solicitation statement and other materials with the SEC in connection with the proposed transaction. Because they will contain important information, investors are urged to read these materials which, when filed, will become available free of charge at the SEC's Web site. Investors will also receive information at an appropriate time on how to obtain transaction related documents for free from News. This call does not constitute an offer to sell or solicitation to buy in connection with the proposed transaction, which will only be made by means of an appropriate prospectus.

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On this call we make statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including those described in News' public filings with the SEC, that could cause actual results to be materially different from those in the forward-looking statements.

With that, let me turn the call over to Rupert Murdoch.

R. Murdoch

Thank you, Gary. Good morning, ladies and gentlemen. We're here to confirm the announcement of the extremely exciting event for News Corporation, Fox Entertainment Group and Hughes Electronics. Today, after three years of patient negotiations, occasional frustration, and ultimately great satisfaction, we have reached an agreement with the boards of General Motors and General Motors Hughes to acquire a significant 34% stake in Hughes Electronics.

For all three of our companies the benefits of this transaction are substantial. If it is rare to find a genuine win/win scenario in our crowded and competitive media landscape, it is truly exceptional to be able to create a win/win/win scenario as promising and powerful as the agreement we announced last night. For the shareholders and customers of News Corporation worldwide, for Fox and for GMH, today marks the start of a bright future indeed.

Let me briefly summarize the highlights of the definitive deal that we reached today. Under our agreement News Corporation will acquire General Motors' 19.9% stake in Hughes at a price of \$3.8 billion, comprising \$3.07 billion in cash and 34.3 million News Corporation preferred limited voting ordinary ADRs at a value of \$22.40 each. News Corp will also acquire an additional 14.1% from public shareholders in GM's pension and other benefit plans at a price of \$14.00 a share, for which we will be using 122.2 million News Corp preferred ADRs, using the same base ADR price of \$22.40. Upon closing of the transaction News Corp's 34% ownership interest in Hughes will be transferred to Fox Entertainment Group, an 80.6% owned subsidiary, in exchange for 74.2 million shares of Fox at \$27.99, as well as two promissory notes totaling \$4.5 billion.

This agreement is subject to regulatory approval, but we expect the transaction to close by the end of calendar 2003. At that point I'll become Chairman of Hughes, Chase Carey will become the company's Chief Executive Officer, and Eddy Hartenstein will be a Vice Chairman of the Board. The board will consist of 11 members, including myself, Mr. Carey, Mr. Hartenstein, Peter Chernin, who's the President and Chief Operating Officer of News Corporation and CEO of Fox, Dave DeVoe, Chief Financial Officer of News Corporation and Fox, and six independent directors.

I know one of the first questions you may have is why we're housing Hughes within the Fox Entertainment Group. The reason is simple. It belongs there. It belongs there, first of all, because it maintains the logical structure of News Corporation. Fox was created to house News Corp's American content and distribution assets, and as a television distribution platform, DirecTV obviously fits within the structure. Second of all, the company's position within FEG will precipitate a mutually beneficial relationship we look forward to forging between Hughes and Fox. To Hughes this deal offers the opportunity to

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work in close collaboration with Fox to provide its DirecTV platform with an increasingly rich array of content, programming and technological services.

For Fox, a DTH platform capable of delivering our content to American satellite TV viewers represents an invaluable outlet for our television products. In a landscape of increasing choice, but also increasing consolidation, such an outlet is essential if we are to ensure that our existing content and the content that we will create in the future continues to reach consumers. We've built assets of immense value at Fox, assets like our cable channels, for instance, whose long-term viability will be greatly enhanced by the presence of a sister distribution platform. But that is an advantage we do not plan to abuse. As strong a player as we plan to be in the multi-channel television industry, we have every intention of being a fair player as well. Both News Corp and Direct have committed to be bound by the FCC program access regulations, under which we will make our content readily available to all satellite television providers, as well as cable and other competing platforms. Our creative strength as a company will increase the vitality of the American television market as a whole, enabling the sort of fair and fierce competition that our company was built on, and that, quite frankly, we have always thrived on.

In the case of DirecTV, we will thrive by taking what I feel is one of America's great television assets and substantially improving it. The beneficiaries of these improvements will be the shareholders of News Corporation, Fox and Hughes alike. All of them will be able to watch their asset grow faster and fundamentally stronger than was ever possible before. Certainly we have considerable strength to build on. DirecTV is an outstanding company with a very strong brand and a large customer base. Furthermore, I want to tell you that Hughes management has done a magnificent job running their business and controlling costs in the uncertain circumstances of the past couple of years. Over the next few years we plan to take the value of this great asset and grow it dramatically by employing not only the content we have created at Fox, but the talents, the programming, the experience, the technology and the expertise we have developed at our leading television platforms around the world, which when added to Hughes will have a total customer base of well in excess of 25 million homes. We are fully confident that by doing so we will create greater choice and a greater viewing experience for all Americans. In the process our efforts will invigorate the multi-channel industry and help make satellite television a viable competitor to cable. More programming options, greater efficiencies, richer content, better customer service and compelling new technologies will give satellite television its best chance to break cable's still-dominant hold on viewers.

The person who will oversee our efforts, as I mentioned, is Chase Carey, who will be the new President and CEO of GMH. I'm now happy to pass this over to Chase to detail his strategies and improvements that he has in mind. Thank you very much.

C. Carey

Thanks, Rupert. Before I get into our plan for Hughes, I want to pick up on something Rupert mentioned earlier, and that's the truly impressive job that Hughes management has done over the past few years. It is not easy running a company

under any circumstances, and it's certainly a lot harder when the future of that company is in flux. So it's with a great deal of admiration that we recognize that team, and we're certainly highly supportive of them going forward.

The cornerstone of Hughes, of course, is DirecTV, which has successfully established itself as the market leader in US satellite television. Second only to Comcast in the number of multi-channel subscription homes it reaches in the US, DirecTV has created a fabulous brand and has unique strengths in areas like customer service, programming and distribution. DirecTV has taken a number of steps in the past year to further strengthen its business by addressing issues like cost reduction. Our goal will be to bring the expertise of News Corp to bear as we enhance and expand DirecTV's plans. We see this as a business with real growth both in revenue and margins, in both the short-term and the long-term. News Corp. has a proven track record at building businesses like the Fox Network and Fox News, as well as firsthand experience in creating and operating successful satellite distribution businesses like BSKyB, which is considered the premier satellite platform in the world.

That expertise will be employed across the board at DirecTV. In the cost area DirecTV's management has acknowledged there is still considerable work to do. We plan to enhance those managers' efforts by attacking costs from programming to marketing, churn, set top box costs, really every area. We will also work with DirecTV management on a plan to maximize the platform's growth potential. DirecTV already provides a great consumer experience, and we'll make it even better. Initiatives in areas like customer service, marketing, on-screen guides, program packaging and choice will all be critical as we work to further increase the excellence of DirecTV's offerings to consumers.

Technology, too, will be a crucial component of our plans to grow the success of DirecTV. As technological innovations like PVRs, high definition and interactivity become market realities, we're confident that DirecTV will build on its leading ability to bring the most advanced experience to consumers.

While DirecTV is the cornerstone, we also must focus on key issues across the rest of Hughes. HNS is already the world leader in the enterprise business and has the opportunity to take that business to a whole new level with the launch of Spaceway, a system that represents an entirely new generation of satellite capability. In other businesses like Latin America there are significant challenges to address, and we'll work with Hughes management to determine the best course on these and other issues in a decisive, expeditious, yet thoughtful manner.

One of the greatest strengths we will bring to this company is the decisiveness that will enable Hughes to address both problem areas like Latin America, and areas of opportunity like the launch of interactivity and other technological innovations. Hughes has clearly and understandably been handicapped at executing such plans by their for-sale status. The clarity that comes from the end of that process, combined with the expertise we bring to the business, should enable us to energize the decision making that is critical to the business' growth and improvements from here. We look forward to meeting all these challenges as we bring to this opportunity the talents, the experience and the excitement that we have developed in television markets all over the world. I think there's no greater multi-

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channel television business than DirecTV, and I think there's no greater opportunity for News Corp, Fox and Hughes shareholders and customers than this chance to make DirecTV the strongest distribution platform in the world. Thank you.

- G. Ginsberg Operator, we're now ready to take questions.
- Coordinator Thank you. Please limit yourself to one question. Brendan Lyons, you may ask your question, and please state your company name.
- B. Lyons Brendan Lyons from JB Wier. My question relates to the likely earnings dilution from the transaction for News Corp in the first full year, which will be 2005 on these expectations. It looks to us that it will be EPS dilutive by 10% to 15% in the full year, and the synergies required to meet an EPS-neutral outcome is about \$300 million US at the EBIT line for News Corp. I'm just wondering if you can indicate whether you're comfortable with those sort of synergy forecasts, and provide some color perhaps on where do you expect to get those savings or benefits to News Corp?
- D. DeVoe Yes, as I think I said last night to you, we're comfortable with what we said last night: that for the first full year of operations, fiscal '05, that the dilution to both News Corp and Fox would be marginally dilutive to slightly accretive. You can work the math out, so we are comfortable with those types of savings. Chase, do you want to talk about briefly some of the things that we might be doing with respect to Hughes?
- C. Carey Operationally in the business?
- D. DeVoe Yes.
- C. Carey I think as you look at the business, clearly there are going to be a number of initiatives right out of the box. There are initiatives we'll put in place in really across the board: cost areas that should dramatically improve the margins in this business. If you look competitively where their margins are today versus Charlie, I think it speaks to the opportunity here, or even versus the operating profit margins that exist in the cable industry, I think those are the types of margins. I think those types of initiatives will apply to the programming, to overhead, to marketing, to SAC, to churn. When you look at the benefit of just say taking churn down one percent, it's a huge benefit. Today their churn is probably ten points higher than the churn we have in Britain. So I think there's real upside in terms of the operating initiatives, and certainly growth as we go forward in the business. They're bringing on new local to local markets. Those will drive growth. They're, I think, really starting to get on top of the multi-TV set demand. That will drive growth. Technological innovations, particularly PVRs, will be the big part of bringing a new dimension of growth to this business. I think within the DirecTV business there are a lot of things that will be done to drive, again, both the top line, and probably more importantly the bottom line.
- Beyond that there are some very big things that will be dramatic immediate improvements, I guess probably the biggest of those being Latin America, which has clearly been a drain on this company. They're in Chapter 11 now. Obviously we have a Latin American business there, and we'll look for ways to rationalize those businesses in a way that makes sense for everybody. I think that should be a structural change that is a very quick, very immediate and very dramatic improvement to the bottom line. And there are

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obviously other issues that have been out there that need to be addressed. The Pegasus situation they have clearly is not something that works in the marketplace. A solution to that requires all parties to be realistic about the fair and appropriate way to readdress that. But I think those are all opportunities that really can be very short-term, very immediate and very dramatic opportunities to drive and improve this business.

R. Murdoch

I'd just like to add to what Chase said. I expect that by the time this deal is concluded, hopefully at the end of this calendar year, the subscriber count at DirecTV will be comfortably in excess of 12 million, and you can certainly hold me to that. Additionally, as we're just seeing at Sky in Britain, as we get into new services, and this perhaps is not so immediate, but as we get into new services and new offerings there will be opportunities to increase ARPU without any price rises.

Thirdly, what Chase said is right about churn. I don't know how much we can bring it down. I think as they are making certain moves at the moment they're already bringing churn down from the low 20's to the mid to high teens. In Britain we have it down to ten. That may be too much to ask for in this country, but every point that you save in churn now saves about \$70 million a year.

Finally, I'd just say in Latin America, to be a little more specific, we've been investing in our partnership there, which now has about 1.6 million homes and about equal to theirs, although in different strengths in different countries. We've been putting in the best part of \$100 million a year, which has been coming out of our bottom line, and they have been injecting about \$500 million cash a year to their 1.6 million and not growing. Now I can't tell you how this will be done or how fast, it'll be pretty fast, but both those minus figures will disappear. So there's a big rationalization to occur, which will help both News and Hughes and all the shareholders of both.

B. Lyons

Can I just ask one follow-up question in regard to Hughes Network Systems, which didn't get a lot of time on the first conference call? Are you committed to the rest of the cap ex for the Spaceway project? That business seems to be losing in cash terms about \$500 million US a year, and you have a couple more years of that program to run out.

R. Murdoch

From memory, I think it's due to have the Spaceway program all launched during 2004, and they have it planned to be in profit pretty much straightaway. We will certainly be making a very close examination of that to see how practical it is and whether this is the beginning of a great new business or more just an engineer's dream. My worry about providing broadband to the public as a whole, which we will certainly do in some form, is that there are new technologies being talked about and being invented every month or two, and I think the provision of broadband will become pretty much a commodity with a lot of competing players in it, and it's now something that we have to do. We will do it only if there's no other way to get broadband to people in rural areas, but it's increasingly looking like there will be many options. I'd just say we're going to approach it with a lot of admiration for the work that's gone into it and for that very ambitious dream that it is, but we have to take a very close look at that before committing ourselves.

C. Carey

In terms of the cap ex, Spaceway will this calendar year be

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essentially complete, so they are on the tail end of the Spaceway cap ex process.

R. Murdoch                    It will be done before we get there, as to at least 90%. Is that right, Chase?

C. Carey                     Yes.

B. Lyons                     Thank you very much.

Coordinator                 Kathy Steponius, you may ask your question.

K. Steponius                Hi. Thanks. Last night on the conference call, Rupert, I believe you said that you expect DirecTV to continue to add a million subscribers per year for the foreseeable future, and you basically just reiterated that this morning. In light of the fact that AT&T bled 500,000 subscribers last year and that Comcast is no more focused on stemming those losses, won't adding a million subs per year be a lot more difficult going forward, especially given cable's position with the bundle? If it turns out that the bundle is important in keeping subscribers, of not getting them back from satellite, what's your willingness to compete on price on the video product?

R. Murdoch                    We want to be competitive on price. We're not, certainly, planning any price wars. We're not a great believer in the bundling. Some people like it, and a lot of other people prefer to get their bills one by one. I don't like it in that I think if you give people a bundle and it comes in at over \$100.00 a month and they think they have to cut back for some reason, they're more likely to cut out one premium video service than they are telephony or whatever. So we're quite happy to keep it separate. I think our offering will be so rich and so strong as a video that people will be very happy to have it. They may take DSL, they may take cable, they may take Wi-Fi. They may be looking at new technologies. Another one talked about in the New York Times this morning was Chairman Powell was being demonstrated to yesterday. We just don't think that's a problem at all.

As for the million, the fact is it's just going on and on. Charlie is going up a million a year, and Direct is. I think when we improve Direct and market it very aggressively, and particularly put tremendous effort into customer service, we'll get less churn and faster growth. All the research I've seen shows the continuing increase in share of multi-channel market going to DBS. Certainly the idea of another two million growth this year over last year seems to be accepted by the researchers, and another two million next year, then they're saying it might come down to one and a half. At the same time they're predicting slow growth in cable. Cable's growth will come, I think, in revenues and other services. But we have to see and build technical capacity into the satellite service so that we can get the same revenue growth as well as the subscriber growth.

C. Carey                     I'd just add to that. I do think when you look at growth, there are structural enhancements that are going to come to satellite. Local to local, as we said, is going to be increasing; they're adding markets right now. That has proven to be a dramatic area of growth and improvement. And I think enhancements in areas like multi-set capability which has been another issue for the satellite industry, are coming along. I think you're going to see new set-top boxes that are much more efficient in terms of hooking up multiple sets. So I think enhancements like that will fuel the growth of the cable industry,

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and then certainly will bring to Direct specifically improvements across the areas Rupert talked about, in terms of marketing, in terms of customer service, in terms of how do you access content, how do you add interactivity. I think all those features are going to be enhancements that should enable us to more than maintain and build on the growth that exists today in the satellite business.

K. Steponius

Thank you.

Coordinator

Oliver Anstead, you may ask your question.

O. Anstead

I'm just stepping back to the question about the source of the accretion, I guess, longer-term. I'm just wondering if you could maybe give a bit more detail on, for instance, if you break the three major components down into churn/non-churn costs, so say programming and administrative, and then maybe Latin America, what's the rough split where you're going to get most of the earnings or the expected earnings benefits?

D. DeVoe

I don't think that we're prepared to quantify any more than we just did the various areas of churn, other than to reiterate, I think as Chase went through in some detail, where we think the areas are going to come from. Do you want to reiterate any of it, Chase, at all, because it's ballpark...?

C. Carey

I think Rupert gave you a sense of Latin American issues, and again, I think there are abilities and opportunities to turn that business essentially into a profitable business, a profitable situation. So I think he gave you a sense of...

R. Murdoch

Even on a breakeven I'm saying there's a saving of \$600 million a year to be made there immediately. There are contractual situations there and everything. It may take us a couple of years to get there.

D. DeVoe

And just to add, it doesn't take necessarily the synergies that we bring to the business in the savings. Hughes on its own has improved its business substantially from when we last looked at it. So the business in its own right, even before we've put the savings on it that we expect to achieve, is going to generate pretty significant earnings as we look out into our first fiscal year.

C. Carey

The bottom line is we can really drive the bottom line. As Rupert said, a point in churn is \$75 million, a point in margin is \$75 million. As we address those areas, there are very dramatic opportunities.

O. Anstead

If you look at the Hughes guidance for '03, they're guiding for EBITDA of about \$1.1 billion. So if you look out to their calendar '05, can you take a stab at what sort of ...you'd be expecting out there?

D DeVoe

I don't think we'd put that type of number out there.

O. Anstead

Okay. Thank you.

Coordinator

David Gibson, you may ask your question.

D. Gibson

Mr. Murdoch, I just want to clarify what your attitude is to the issue of the preferreds. Do you view them as cost of capital? What sort of cost do you think they have, because I think probably investors are a little bit concerned with the dilution that is



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immediately occurring?

- R. Murdoch                    Well, I think they're very under prices, if that's what you mean. They are our basic currency. We have a lot more, you call them preferreds in Australia, but they're okay. They're basically the main stock in News Corp and non-voting, and there's a great deal more of them and much bigger float than there is in the voting, so we use them as currency. But if you take that as our basic measure and put us against our peers in the media industry, they're at a very considerable discount. Dave could... And they're... certainly to a Viacom, but I think even to a Disney or an AOL.
- D. DeVoe                      What we tried to do with the transaction is to structure the transaction so that it would have the minimum amount of dilution. We did that by trying to balance the maximum amount of both the cash that we could use to make this acquisition and the amount of equity required to balance that against to insure that we would, number one, maintain our credit rating, and then number two, insure that we continue to be strong financially.
- R. Murdoch                    I'd like to congratulate Dave. I think the way he structured this has been quite brilliant. We've been husbanding our cash resources and making a very careful opportunity... which is thus far the biggest. But we expect at the end of this month, for instance, to be completing...which is really, I don't think I need be frightened of using the word a monopoly, because even the European commissioners use that in sanctioning it. But we will be the only carrier of multi-channel television. There will be no cable of any size, no other platform for a very long time. That I think we're paying about \$900 million for at the end of this month. We will still finish the year something just a fraction under \$4 billion. Is that correct, Dave?
- D. DeVoe                      Yes. Correct.
- R. Murdoch                    Is cash reserves. That's without the sale of the Dodgers, without calling on the \$500 million from Liberty. So you can say well we've got well over \$5 billion in fact there. We're putting 3.1 into this. And then of course we are expecting strong cash flows from all our operations to continue. They've been very good this year, and we expect them to continue through next year. So Dave and his conservative ways say we will never, under our current plans, fall below a million dollars cash in the bank, and I think it'll be considerably better than that.
- De DeVoe                      What we did, we did try to preserve our flexibility with respect to the amount of equity that we have to issue. We do have the ability, if we chose to, to put more cash into the deal and less stock. We've tried to balance this, and we'll have to see at closing, we're not promising that we're going to issue fewer shares, but we'll have to see what the outlook is for our business, what the outlook is for the economy, and we'll evaluate it at close.
- D. Gibson                      Just a follow-up on that. In terms of the preferreds, Mr. Murdoch, should we consider ongoing the preferreds are your transaction currency, that further issues are possible, and in that regard, given your comment that they are under priced, and we would probably concur with

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that, what steps you would take in the future to insure that the underpricing is not maintained, and in particular that they don't trade at... discount...?

- R. Murdoch                    Well I think we would have to be very careful and very cautious about issuing any equity at all, but we're not going to go back either to increase our borrowings. So we would only ever make anything that's possibly dilutive in issuing stock if we saw medium-term accretion and saw it being really essential to the overall building of shareholder value. We're about accretion and value, not dilution, but we are prepared to take a medium-term view of it rather than a quarter-to-quarter view.
- D. Gibson                    And in terms of reducing the discount that the preferreds trade at compared to the ordinary stock and the overall price discount of the company, as you said?
- R. Murdoch                    We have some ideas about that, but we're not ready to discuss them yet. I think it's pretty ridiculous. People seem in this country to be extremely happy buying the preferreds. In Australia they all want to buy the voters.
- G. Ginsberg                    Next question, operator.
- Coordinator                    John Tinker, you may ask your question.
- J. Tinker                    Hi. Could you just give us a little more specific guidance as to how fast you'll be able to execute on some of these changes in terms of when the deals go to close and at what point can you really get involved?
- R. Murdoch                    We hope we can keep very strong cordial relations with them. I think that they'll be very cooperative and listen to our ideas, but we have no power at all to change anything until the deal closes and passes all the regulators that are here in Washington. Some of us have hopes it will be faster, but I think realistically we should think about getting in there in January of next year. You'll see the beginnings of the effects of what we're doing, or planning to do, really in the full year of '05.
- C. Carey                    I would just add: I do think we're on the same page with them about a number. I mean, take Latin America. I think they are focused on the same issues we are and would work, certainly, even immediately, to determine what is the appropriate solution to a situation like that. I think they'll also be receptive to starting to work, so we hit the ground running in January '04, towards the types of things we can bring to bear, look at some of the things we've done in a place like BSkyB, get up to speed on the type of interactive services we've introduced there. And we can obviously do planning so we're not starting in '04; we're hitting the ground running. So I think there are clearly things that can be addressed in '03 as we're getting up to speed with them that are issues we'll work with them to address, and really will hit the ground running in '04.
- R. Murdoch                    I think I agree with Chase, that it's possible we can cure the Latin American problem even before the deal closes.
- J. Tinker                    On that note, do you have any plans for PanAmSat?
- R. Murdoch                    Just to develop it to its full potential. We have no plans, certainly, to sell it.

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J. Tinker Thanks.

Coordinator John Redin, you may ask your question.

J. Redin Could you help me with this? GMH has been for sale for the better part of three years, there were only two bidders, one of which was knocked out by the regulatory authorities. GM is a forced seller, and the property is a fixer-upper. Under those circumstances why would there be any premium paid?

R. Murdoch Good question. They were asking for a lot more money, and they had quite a strong lobby in their own company to keep it, people who are very attached to it. They also had people in Hughes who would have liked to have seen it spun off quite independently, leaving the status quo. I think they had to realize that in this market that last option was not open to them.

J. Redin So why didn't you call their bluff?

R. Murdoch Capital market. But on the other hand, they've quite simply refused to take a lower place. They were asking a much higher price and we were offering a lower one, but we met at this price.

J. Redin I think you should have called their bluff.

R. Murdoch We thought we did.

J. Redin If you walked away their stock would have went to between \$6.00 and \$8.00, the current management is not well regarded. They would have stewed in their own juices. If you showed a little more patience... You said you consider the...

R. Murdoch That's quite after the event, and I don't concede that all. The stock may have well gone back to \$10.00, but not six or eight.

C. Carey And I would challenge the fixer-upper categorization of the business. There clearly is real... this is the market leader. It's got the best brand in the business, it's got unique programming in the business, it's got distribution assets.

D. DeVoe The highest ARPU.

C. Carey It's got a \$10.00 higher ARPU. If we can take the margins to where Charlie has got the margins, it's the better part of a... billion dollar difference there.

R. Murdoch I don't want to embarrass anybody in this, but you must understand that the day to day management, the operational management of Direct, and of Hughes as a whole for that matter, changed completely and for the better about three months before they closed the deal with Charlie. That was very much as a result of some of the things that we did and they did in those negotiations. But the management before that for three or four years I would concede was pretty disastrous.

D. DeVoe Yes, and I would say this too. This is a totally different business than we had before, I totally agree, so this is not a broken company like it may have been perceived a few years

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ago. I think the price that we negotiated is a full price for what we would have paid for the business, but given what we can do with the business and based on our expectations for the business it is not an unreasonable price for us to pay.

Just to add one further thing, we spent three years waiting for this. The idea that we would, to try to get the last dollar out of this, walk away and spend another year and a half was not something I think that I certainly would have supported from my position.

- Coordinator Jeff Logston, you may ask your question.
- J. Logston Thank you. Could you guys just go over the control and governance issues, because you talk about this as if you're in total control of it while owning 34%? Are they ceding that to you operationally, and what could happen in that ownership structure going forward?
- R. Murdoch The only thing that could happen would be that the six independent directors could all take a set against us and give us a lot of trouble and we'd have to go to the shareholders for a vote to remove some of them, but we don't expect that at all. In fact, we have five, and the sixth one to be named yet, but of the five that are named, four of them are all very respectable, independent people and will do what they think is right for all the shareholders. They are all certainly long-term friends and acquaintances of everybody in News Corp.
- J. Logston And relative to running this company, that's going to be in the hands of News Corp and Fox?
- R. Murdoch Absolutely.
- D. DeVoe I also think that in terms of running the company, it's going to be run by best practices, and it's not going to be led by control of anything, it's going to be led by leadership that Chase and the executive team will bring to it. So I think that we're not concerned about issues of formal control. We think that the shareholders and the board of directors will welcome the expertise and the leadership that Chase and the existing DirecTV management bring to this.
- J. Logston Let's hope so. It's great. Glad you guys did this.
- Coordinator Eric Lee, you may ask your question.
- E. Lee Hi. Just a quick question in terms of in the context of subscriber growth and competition, and you referred to it I think briefly before, but in terms of the NRTC situation with DirecTV, they've been kind of losing subscribers over the past several quarters. I just wanted to get your sense of any plans you might have going forward to potentially work with them to reinvigorate that subscriber growth, because I think it is somewhat of an overhang with the DirecTV platform. Thanks.
- C. Carey I think it's pretty clear that the structure of that relationship doesn't work today. I think it's clear in what you see, the performance from the Pegasus NRTC side, and I think it's something that should be addressed. I assume all parties would agree it's something that should be addressed. It requires reasonable parties





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