



January 23, 2023

The Honorable Wesley Hunt
1520 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Hunt:

On behalf of DIRECTV, I am writing in response to your letter of January 20, 2023 to Bill Morrow of DIRECTV, John Stankey of AT&T, and Jon Winkelried of TPG regarding DIRECTV's ongoing negotiations with Newsmax over carriage terms.

Let me begin by assuring you in no way is DIRECTV working to limit conservative viewpoints. DIRECTV's fundamental value proposition to its customers is to offer a wide variety of programming options at prices that match our customers' pocketbooks. That applies to our offerings of news channels as well.

We are not trying to de-platform Newsmax. To the contrary, we want to continue our carriage of Newsmax on the same terms as at present, and we have made that clear to Newsmax. We have been negotiating with Newsmax for months and, faced with an expiration of our current agreement, initiated a short-term extension to allow the parties additional time to come to an agreement. We continue to have discussions with Newsmax and are working in good faith to get to an agreement that we consider to be in the best interests of DIRECTV subscribers.

We support Newsmax's current nationwide, ad-supported distribution model, which ensures the broadest distribution possible of the channel. We helped launch Newsmax in 2014.¹ Newsmax has broader distribution on DIRECTV than on any other traditional or over-the-top Pay TV service. In addition, DIRECTV has waived our typical right to sell two minutes/hour of Newsmax advertising time (allowing Newsmax to generate more revenue), and has agreed that Newsmax can be distributed on-line on popular streaming platforms for no charge, including to viewers who do not have a Pay TV subscription. These non-Pay TV viewers currently represent 55 million US households, or 40% of all households.² This broad distribution has allowed Newsmax to maximize both its penetration among US households and its advertising revenues.

¹ <https://www.usatoday.com/story/money/business/2014/06/14/newsmax-tv-network/10491429/>

² SNL Kagan: Projected US video households by delivery segmentation, 2020-2026, residential

Newsmax proposes to change this model. In effect, it has stated that if DIRECTV and other Pay TV operators will pay it the fees it wants, then it will cease transmitting its current channel to the 55 million US households that don't have a Pay TV service. In other words, 55 million US households would no longer be able to access Newsmax in its current form unless they acquire a Pay TV subscription. Under this change in model, who's doing the de-platforming? Certainly not DIRECTV.

We think that it is also important to keep our dispute with Newsmax in perspective. According to Nielsen, nationwide Newsmax's average household audience is only 101,000 households, representing less than 0.1% of total TV households. That is 92% lower than Fox News.³ If Newsmax ceases to authorize our carriage of their channel, our customers will still have access to their clearly preferred conservative news channel, Fox News, which has more viewers than MSNBC, CNN and Newsmax combined.⁴

Our industry and the landscape in which we operate are incredibly challenging. The Pay TV industry is shrinking by more than 6% per year as it faces competition from "over the top" services like Netflix and the entry of large tech companies into content distribution. Such services are offered at a fraction of the price we are able to offer to customers. To help manage our costs, DIRECTV has to make many tough decisions, including recently laying off a significant number of our employees. Economics, not ideology, drive our decision making.

Again, we remain hopeful that we will reach an agreement with Newsmax that will allow us to continue to carry their programming while keeping our service affordable. We appreciate your concern for our customers. And we would be happy to meet to provide additional information if it would be helpful to do so.

Sincerely,



Michael Hartman
General Counsel and Chief External Relations Officer

Cc:

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³ Nielsen: AA HH rating % and projection, live+7, all-day, composite (12/27/21-12/25/22 TV

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