

# High-wire act

## Dish's Ergen lays out his wireless game plan

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**Charlie Ergen, founder of Dish Network Corp. and EchoStar Corp., was a panelist at Reflections on the Satellite Industry forum, held at CU Boulder Oct. 17**

BY GREG AVERY  
DENVER BUSINESS JOURNAL

Charlie Ergen goes back to his beginnings with Dish Network when he's asked about his multibillion-dollar plan to start a national wireless broadband service and challenge the biggest names in telecommunications.

Ergen gambled, putting Dish Networks' first satellite in orbit on a Chinese rocket with a history of exploding as often as it launched successfully.

"They didn't ask for any money up front," said Ergen, chuckling.

Insurance would have paid back investors if the rocket exploded, he said, but Dish Network would have been through.

Unlike that early gamble, the Douglas County-based satellite-TV firm's

move to create a national wireless network — it's spent \$3 billion on it so far — doesn't bet the whole company.

Compared to launching on a Chinese rocket with no money ... the wireless business should be a walk in the park, said Ergen, 58.

The founder of Dish Network Corp. (Nasdaq: DISH) and sister company EchoStar Corp. (Nasdaq: SATS) — No. 46 on Forbes' list of richest people in the United States — rarely speaks in public outside conference calls with Wall Street analysts, and

**trying to be the first company to do all of that**

**Charles Ergen**  
Dish Networks founder

## Charles Ergen

Ergen spoke to satellite industry players and academics Oct. 17 for the Silicon Flatirons tech policy institute at the Univer-

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sity of Colorado Law School, answering questions from Dean Phil Weiser.

Afterward, he spoke to the Denver Business Journal in an exclusive interview, putting his companies' string of acquisitions in 2011 — satellite companies, Blockbuster Hughes Communications — in clearer perspective than ever before.

### Deals gain spotlight

Ergen's flagship company, Dish Network, bought satellite communications companies TerreStar Networks and DBSD North America out of bankruptcy for nearly \$2.9 billion this year, claiming their satellite technology and, more importantly, 40 megahertz of broadcast spectrum.

The Federal Communications Commission hasn't yet ruled on Dish Network's application to use the frequencies for mobile broadband and other uses.

Also this year, EchoStar, Ergen's satellite technology manufacturer and satellite services company, acquired Hughes Communications Inc. for \$2 billion. Hughes sells satellite Internet access to nearly 560,000 residential customers in North America, and it sells satellite services to other companies.

The purchases, coming on the heels of Dish Network's purchase of Blockbuster, put a spotlight on Ergen.

He's been driven to buy broadcast spectrum and pursue building a wireless network for Dish Network because companies such as AT&T and Verizon don't offer the range of wireless video and voice services or coverage that he craves as a consumer. He assumes other consumers crave them, too.

"Everybody in this room wants fixed wireless video, data and voice, and mobile video, data and voice," Ergen said. "We're trying to be the first company to do all of that."

His plain talk about Dish Network's

gambit fascinated Ian Olgeirson, a Denver-based senior analyst with SNL Kagan who tracks media technology and went to Boulder to hear Ergen explain in person.

"There's a lot of risk behind what he's trying to do, and a lot of hurdles," Olgeirson said. "He's got a little bit of aw-shucks attitude about it, but the risks are real and they are considerable. It's one thing to talk about entering a niche, but when you



**'You ever tried to make a call at the Broncos game? It's ridiculous, and it doesn't have to be that way.'**

**Charlie Ergen**  
Dish Network founder

talk about entering the wireless phone market, that's different."

The industry is dominated by AT&T and Verizon Wireless, companies that spend tens of billions annually upgrading their networks.

Ergen points to widespread dissatisfaction with the major carriers.

He marvels that there's border-to-border phone coverage in Rwanda, but not in the United States. Ergen's calls drop in New York City. That tells him there's a market for a Dish Network wireless service, he said.

"You ever tried to make a call at the Broncos game? It's ridiculous, and it doesn't have to be that way," Ergen said.

### Jockeying for spectrum

Ergen's move to create a wireless network to bundle with his Dish Network TV service dates back to 2007, when his companies started buying the debt of Reston Va.-based TerreStar Networks. EchoStar invested \$150 million in TerreStar, as did Philip Falcone's hedge fund Harbinger Capital.

Ergen's company also was buying TerreStar's distressed debt, positioning itself to own TerreStar if it went under. Harbinger was doing the same, which Ergen didn't know, he said.

Ergen's companies also bought the debt of DBSD North America, another satellite company headed toward bankruptcy. And he was said to be buying debt to take over Sirius XM Satellite Radio, too.

A \$530 million loan in early 2009 from John Malone's Liberty Media Corp. kept Sirius from going bankrupt and being an Ergen takeover target.

Instead, Dish Network bought both TerreStar and DBSD out of bankruptcy, beating out bidders said to include Harbinger. Harbinger had just launched a wireless company, called LightSquared, to sell wholesale wireless network access to other companies.

Until the two started competing to buy spectrum assets, Ergen assumed Harbinger and Dish Network might reach a future partnership, he said.

"I always thought the better option would've been to work together," he said.

Ergen reached out to his biggest satellite TV competitor, DirecTV, in which Malone is a major shareholder, after it became likely Dish Network would win the spectrum, he said. Ergen wanted to see whether DirecTV might be a partner in offering wireless service, he said, but DirecTV wasn't interested.

Dish Network tried to buy DirecTV in 2008, then called Hughes Electronics, which would've created one domestic satellite TV giant. The federal government stopped the deal.

It remains the only major telecom merger halted by the FCC, Weiser said. It's a deal Ergen still pursues.

"That cost us \$600 million in a breakup fee," he said. "We're really looking forward to AT&T and T-Mobile. That deals got something like a \$3 billion breakup fee, and we'll no longer be in the Guinness Book of World Records."

One of the major attractions to buying DirecTV from General Motors 10 years ago was its satellite broadband and services division, which became Hughes Communications, Ergen said.

Rupert Murdoch's News Corp. bought DirecTV after the Dish Network merger failed, and then it spun off Hughes to a private equity group.

EchoStar Corp., which makes set-top boxes for Dish Network and manages satellites, bought Hughes this year in a deal valued at \$2 billion.

Ergen had never taken his eyes off the business, he said.

Hughes, under its previous owners, had been managed for quarterly results. EchoStar will manage the company with a five-year strategy, Ergen said.

"They've got a bunch of really bright engineers, and now we get to turn them loose," he said.

EchoStar recently bought Brazilian spectrum licenses auctioned by that country, with the idea Hughes could start satellite broadband services there, Ergen said.

Ergen stepped down as CEO of Dish Network in June, appointing Joe Clayton as his successor. Ergen remained chairman and controlling shareholder of Dish Network, as he is of EchoStar.

He wanted to be freed from day-to-day concerns to focus on strategy.

"I don't know much about the wireless industry so I'm taking time to learn," Ergen said. "The odds are stacked against this, but it's going to be fun."