

# The New York Times

## Business

### New Competition in the Sky, And Just in Time for the War

A private satellite is meeting demand for TV reports from the gulf.

By EDMUND L. ANDREWS

**M**ILITARY contractors have not been the only companies to get a lift from the United States-led war against Iraq. The nearly insatiable demand for live television reports about the war has been a bonanza for companies providing satellite services.

But few operators have enjoyed the sweet vindication of Rene V. Anselmo, the founder of Pan American Satellite of Stamford, Conn. Two years ago, in what seemed like a good way to lose a fortune, Mr. Anselmo gambled \$85 million from the sale of his former broadcasting businesses to buy and launch the first privately owned communications satellite over the Atlantic Ocean.

At the time, he faced heated opposition from regulators, had no assured customers and enough insurance to recover only half his costs if his satellite blew up during the launch. And he was lunging into a market controlled by Intelsat, a satellite consortium owned by organizations in 119 nations.

But today, Mr. Anselmo is virtually booked solid, offering cut-rate prices and fast bookings for television networks around the world. With 1991 sales likely to climb well beyond the company's initial projection of \$25 million, he is now busy raising money for three more satellites.

To be sure, boom times have come to almost everybody in the satellite business since the war began. Intelsat has seen "spot" bookings for satellite time — those not reserved far in advance — surge to 400 programs a day, up from about 150. Bright Star Communications Ltd., based in London, which buys satellite time in large volume from Intelsat and then resells it, has roughly doubled its business. Even American companies like GTE Spacenet are busy, relaying signals from abroad to local stations across the United States.

While Pan American's satellite does not reach the Persian Gulf, it, too, has benefited from the war. Revenues from spot bookings surged to about \$2 million for the last three weeks of January, up from \$200,000 a month before the war, although business has dropped slightly as stations have trimmed back war coverage. There are also revenues from long-term leases with television networks on both sides of the Atlantic.

"It was busy before, but it's pandemonium now," said Mr. Anselmo.

The company's satellite has become a key link for European news organizations that broadcast live from Washington, like the British

Broadcasting Corporation or SAT 1, the German network. It is also used heavily by American networks like CBS and ABC to transmit programming abroad and to supplement their direct satellite links to the Mideast by sending material through Europe.

The company's arrival has not brought prices down but has helped to improve service. "Pan Am Sat has been very good for the industry," said Charles E. Hoff, managing director for Cable News Network's satellite news gathering operations. "They offer a non-Intelsat alternative, essentially a free-market availability, and that has been good for all of us."

**O**NE of Pan American's first customers, CNN, has used its satellite mainly to send programming abroad but also to get material from overseas bureaus.

For Mr. Anselmo, who is 65 years old, Pan American is the second major project of his career. Born in Medford, Mass., he spent 11 years after college in Mexico, working for the Mexican television network, Televisa, and as an independent producer. In 1961, he came to the United States and, with other investors, bought a bankrupt UHF station and subsequently started up 14 others, all broadcasting in Spanish. That led to the founding of the Spanish International Network, financed in part by Televisa and offering Spanish-language programming to stations and cable systems in the United States and Latin America.

#### Satellites

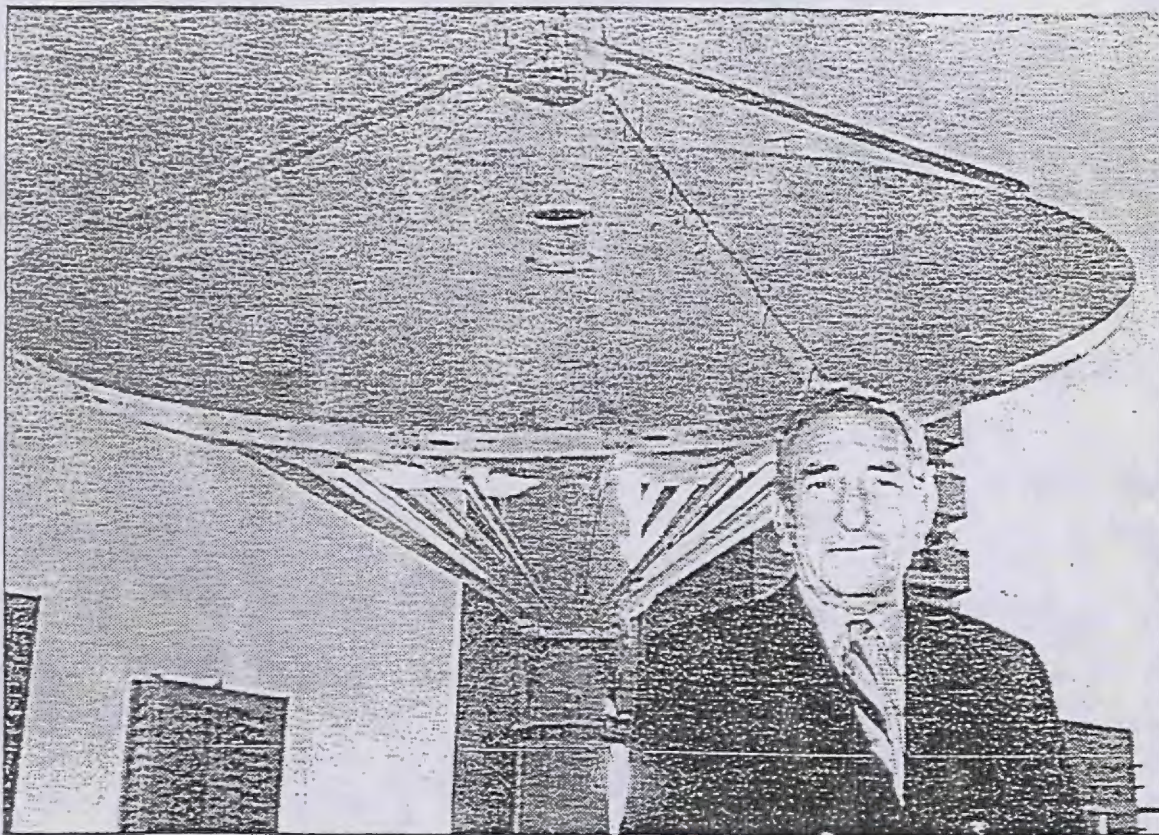
#### More Fallout from the War

It seemed like a good way to lose a fortune when Rene Anselmo gambled \$85 million two years ago to launch a privately owned communications satellite. He faced heated opposition from regulators and had no assured customers. Today, Mr. Anselmo is virtually booked solid, offering cut-rate prices and fast bookings for TV networks around the world. Sales are climbing, thanks in part to the Persian Gulf war, and Mr. Anselmo plans more satellites. By Edmund L. Andrews.



Richard Aloisio

12



Alpha Lyra.com

Rene V. Anselmo started Pan American Satellite, a rival for the Intelsat consortium.

But Mr. Anselmo ran afoul of the Federal Communications Commission, which prohibits foreign control of television stations and contended that his were under foreign control because of Televisa's stake in SIN. After years of litigation, Mr. Anselmo sold his stations and separated himself from SIN in 1986. It was the \$100 million from these sales that enabled him to buy and launch the satellite.

His timing turned out to be excellent. Mr. Anselmo bought a satellite from RCA and was able to take advantage of special incentives offered by Arianespace, the European rocket company, to launch the satellite for only \$9 million. Arianespace was having trouble getting customers for a new launch rocket in part because of an explosion of an earlier rocket.

As a result, Mr. Anselmo was able to become operational for about \$85 million. Buying and launching a comparable satellite today would cost \$180 million to \$200 million.

The satellite became operational just before the breakdown of Communist regimes in Eastern Europe and the fall of the Berlin wall generated a surge in demand for satellite capacity. "They were in the right place at the right time," remarked Timothy Logue, space and telecommunications analyst with the Washington law firm of Reid & Priest. "News organizations have an insatiable drive to beat their opponents, and they will turn to whatever means are available."

The start-up of Pan American would have come off without a hitch if not for regulatory barriers.

Under longstanding international agreements, the Intelsat consortium had until Pan American's arrival enjoyed a virtual monopoly over international satellite communications. Under the system, participating countries designate companies — usually government-owned telephone companies — that serve as their representative to Intelsat. These companies transmit and receive material from Intelsat satellites and charge their customers, who supply telephone, data and television services. In the United States, access to Intelsat is controlled by the Communications Satellite Corporation, a for-profit company.

**I**N part because regulators feared that a competitor would undermine Intelsat, and in part because Pan American would inevitably deprive governments of Intelsat fees, Mr. Anselmo's plan to offer a competitive service generated heated opposition.

Although the Reagan Administration in 1983 endorsed the idea of limited competition with Intelsat, it took Mr. Anselmo from 1984 to September 1987 to get final launch approval from

the Federal Communications Commission. Even then, he didn't have a viable business because only one other country, Peru, had agreed to allow people within its borders to communicate over the new satellite.

**W**ITH patience, persistence and pressure from major communications users, Mr. Anselmo began receiving "landing rights" for his satellite from other countries. By the time of the launch in 1988, he had agreements with a half-dozen countries, including West Germany. Almost 70 countries have since opened up to the new satellite.

Today, Pan American, whose communications base in Florida houses 10 earthstations, is booked almost to capacity. Pricing is complicated, but the rates appear to be somewhat

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In the beginning, only the U.S. and Peru sanctioned Pan American.

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cheaper than the competition's. The company says prices vary from less than \$1,000 for an hour of satellite time to \$2,400, depending on a customer's annual usage. It says most customers pay less than \$1,300. That does not include the charge for using transmission stations on the ground, which can add a few hundred dollars at each end.

By contrast, Bright Star Communications, which resells time with Intelsat, charges \$1,700 to \$2,250 an hour, including earthstation fees. Comsat, the American Intelsat representative, charges a flat rate of \$2,637 an hour, which includes earthstation fees.

Mr. Anselmo said he never conducted formal market research to predict where customers would come from. The whole gamble was based on instinct. "My theory," he said, "was that I couldn't imagine putting a satellite up there and offering all this technology without it being used." ■

## Who's Who in the Satellite Business



The major organizations in the trans-Atlantic satellite business:

**Intelsat** is an international satellite consortium owned by 119 governments. It owns 15 satellites worldwide.

**Communications Satellite Corporation** is a for-profit company acting as Washington's signatory to Intelsat. It charges \$2,637 per hour to send a signal from New York to London on Intelsat satellites.

**Bright Star Communications Ltd.**, based in London, acts as a broker, buying time on Intelsat satellites, then re-selling it in small amounts to end-users. New York to London transmissions cost \$1,700 to \$2,250 per hour, depending on volume discounts.

**Pan American Satellite**, which is not related to the airline, owns one satellite, and plans to launch three more. It charges \$960 to \$2,400 per hour for New York to London transmissions, depending on volume discounts. Linking charges are additional.

**Orion Network Systems Inc.**, based in Rockville, Md., plans to launch two satellites over the Atlantic by 1993, but needs \$300 million in addition to the \$90 million already committed by investors.

## Big, but Believable, Ambitions

**W**ITH Pan American Satellite's one satellite virtually booked solid, both Rene V. Anselmo, its founder, and other entrepreneurs want to launch more of them.

Orion Network Systems, a start-up company in Rockville, Md., wants to launch two satellites over the Atlantic Ocean in 1993.

This week, the company said it had obtained investor commitments for \$90 million — about one-quarter of what it will need. The Federal Communications Commission has approved Orion Network's launch plans, subject to the company's ability to raise

the rest of the money it needs.

Meanwhile, Mr. Anselmo is trying to launch two satellites over the Pacific and Indian Oceans. He is looking for investors in Japan and Taiwan as well as in the United States.

Audacious as his goals may be, few seem inclined to belittle them right now.

"Pan Am Sat has come into its own," said Scott Chase, editor of *Via Satellite*, an industry magazine. "While Pan Am Sat's plans for first truly global satellite system may seem grandiose, their track record is such that no one can doubt their ability to put in a good run at pulling it off."

# GLOBAL REPORT

PANAMSAT TAKES OFF

## SATELLITE SHAKEUP ROCKS LATIN TV BIZ

By PETER BESAS

**NEW YORK** The star of Latin American broadcasting this year is the PanAmSat-1 satellite, which is revolutionizing television from Buenos Aires to Mexico City.

Broadcast heavyweights such as Turner, HBO, CNN, ESPN and Galavision have pounced on this bird in an unprecedented scramble to reach the burgeoning cable markets of Latin America, and are jostling to grab a transponder and deliver programming south of the border in English, Spanish and Portuguese.

The target is an estimated 2.5 million homes served by anywhere from 300 to 1,000 cable operators.

Given the glutted, flat domestic U.S. market, the tv majors are seeking expansion overseas in Europe, the Pacific Rim and Latin America. Chances are that hundreds of millions of dollars will initially be lost by the suppliers until sufficient cable growth accrues in Latin countries; breakeven, it is hoped, will be three or four years down the road.

### Mum's the word

Suppliers are mum on budgets and estimated revenue. However, even if suppliers receive \$1 a month per subscriber from the cable operators, it would work out as only \$30 million a year in revenue. It is more likely that the fee will be less than half that

amount and that it will take years before the 100%-pirated DBS market will yield substantial returns. Some systems such as Galavision, which are going out unscrambled, obtain revenue from sponsors and advertising.

Said Steven Rosenberg of HBO Olé, a new service planning to enter the fray in the late spring: "We're already being pirated anyway. There are anywhere between 1 million and 2 million people watching our programs, so the only way to stop piracy is to set up a legal service, whereupon local governments will be more apt to crack down."

The thinking is similar to the majors' mindset when CIC Video pioneered entry into Latin America in the mid-1980s to set up the first legal homevid operation in Brazil, a country formerly dominated by vid pirates but now a key Latin market.

The explosion of satellite broadcasting has been paralleled over the past two years by the growth of cable systems in Latin

America. Reaping the greatest benefits is Alpha Lyracom, the Connecticut-based company headed by former SIN topper Rene Anselmo, which launched the region's first private communications satellite, PanAmSat-1, in June 1988.

Alpha Lyracom's Lourdes Saralegui said the transponders have virtually been sold out and that the company is planning to launch a new bird at the end of 1993. The outfit already has 16 requests for transponders on the

newly projected satellite, she claimed.

In addition to carrying CNN, ESPN, TNT and Galavision, PAS-1 also carries part-time RAI (the Italo government web), Visnews, special events and MTV Music on its Latin Beam. When HBO Olé starts up, it will ride on the PAS-1 bird's South Beam, together with TVN from Chile and Space, the new Argentine cable tv service. On the North Beam, PAS-1 reserves two slots for Venezuelan and Caribbean operators; on its Central Beam, it transmits Peruvian Channels 2, 4, 5, 7 and 13, which cover Peru, Ecuador and Bolivia.

Probably the most active territory for cable at this time is Argentina, where two Buenos Aires channels were privatized last year. One of these, Telefe (Channel 11), has already pulled ahead of Alejandro Romay's Channel 9, which heretofore was the only private channel in the capital and had topped ratings and revenue for the past few years.

Telefe has now linked with Imagen Satelital of Argentina, in turn a joint venture between Alberto Gonzalez's Telecinema and Cintelba. Imagen Satelital expects to launch Space, a 24-hour pay-tv movie channel, this month.

Space will premiere 60 new pics a month, drawing from 2,000 titles from such producers as

Warner Bros., MGM/UA, Turner, Protele, Thames, Telepictures and RTVE.

In Mexico, Multivision, a branch of Telerey, is already transmitting eight channels since it started up on Sept. 1, 1989, and plans to add four more channels to its operation. Multivision reaches 90 other cable systems in Mexico via a multiple-point over-the-air system totaling some 600,000 subscribers.

Further south, in Caracas, Venezuela's largest cable operator Omnivision inked a deal for a 50-50 joint venture with HBO to create a Spanish-language premium movie and entertainment service called HBO Olé for all of Latin America and the Caribbean Basin. The service is skedded to be launched in the second quarter of '91.

Omnivision, controlled by Rafael Urbina and Hernan Perez Belisario, plans to launch an eight-channel MDS service in Venezuela. Until now, Omnivision broadcast only one channel to nine over-the-air cities. Estimates for HBO Olé's startup costs range from \$50 to \$100 million.

#### Three-way action

HBO's moves come on the heels of TNT's Latin launch Jan. 28 of TNT Latin America, the first trilingual web (English, Spanish and Portuguese). The web is primarily a movie service grinding pics from the Turner library of MGM, RKO and pre-1950 Warner product.

Sister service CNN Intl. bowed in the region Feb. 4 with a 24-hour feed, and features two 30-minute Spanish-lingo newscasts daily. The new CNNI signal replaced the domestic CNN signal previously transmitted in the region. CNN is officially released through 35 broadcasters, 125 ho-

tels and 46 cable services catering to 220,000 subscribers in Latin America and the Caribbean.

In January, TNT and MVS Multivision in Mexico inked a multi-million-dollar pact to bring the new service to cable subscribers in Mexico.

Already in the market for nearly two years, ESPN was the first service to sign with PanAmSat's satellite, and uses a 24-hour feed with six separately encrypted multi-audio-tracked channels. Although programming is run in English, ESPN's Andrew P. Brilliant said that some premiere events are also carried in Spanish, and that these would be expanded.

As for Mexican-based Galavision (a subsid of Televisa), it has been beaming to Latin American since last spring and links to about 70 cable systems in Argentina, Venezuela, Chile, Colombia and Uruguay, charging 42¢ per viewer. The unscrambled program is essentially Televisa's Channel 2 (El Canal De Las Estrellas). Galavision runs commercials for multinational advertisers ranging from Pepsi to Colgate.

"The cable market is growing enormously in Latin America," commented Univisa's Fernando Diez Barroso.

## GLOBAL REPORT

## TURNER TAKES LATIN TWIST

By PAUL LENTI

**NEW YORK** Turner Broadcasting System is riding high after CNN captured market after market with its Persian Gulf coverage following Iraq's invasion of Kuwait.

TBS has also made some major invasion plans of its own for the Latin American market.

Since the beginning of the year, TBS has launched two ambitious new satellite services south of the border, reaching some 700,000 cable households in 17 countries in Latin America and the Caribbean. Both new webs are delivered scrambled via the Pan-AmSat and Morelos 2 birds.

The new services, CNN Intl. and the trilingual TNT Latin America, are the first Pan-American webs serving the entire area. They also, depending on the country, allow transnational firms to advertise on a region-wide basis.

**Lat Am cable exploding**

"Part of the rationale for this first effort outside the U.S. has been the explosive growth of cable in Latin America," said Bill Grumble, Turner's Latin America topper. "We are excited that our first TNT venture outside

the States is in Latin America."

Grumble noted that during the initial year, TBS will "feel out the market and adjust for fine tuning. This is the creation of a new product and new marketplace for us. As with all new ventures, the service will require some fine tuning as we receive feedback from our affiliates."

Turner's Latino connection

**'We are excited that**

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**Latin America.'**

dates back to early 1988, when TBS signed with Telemundo to produce a Spanish-lingo nightly newscast. Establishing a Spanish news bureau at its Atlanta CNN h.q., TBS initiated production of two 30-minute programs: "Noticieros Telemundo-CNN," a series of spot newsbriefs; and the weekend week-in-review wrapup "Resumen Semanal Telemundo-CNN."

At the beginning of 1989, TBS

expanded its activities south of the border when it inked with Pan American Satellite (Pan-AmSat) to beam its 24-hour domestic CNN feed to Latin America. Through its sales arm Turner Program Service, it began selling TBS product on a market-by-market basis.

Turner Program Service maintains sales offices in San Juan, Mexico City and Rio de Janeiro. The sales force is led by South America sales chief Francisco Serador and Mary Ann Passante, veep of international sales for Latin America.

"Now that the signal is scrambled, we have been aggressively marketing the service," Passante said, adding that TBS will be heavily represented at the Mar de Plata market, MIP and the L.A. screenings in May. She estimates that within the next three to four years TBS will have 1 million paying subs.

"Besides cable systems, individual dish owners can also buy a decoder from us for both channels," she added.

Although the feeds are clean, Passante noted that TBS plans to reserve spots for national ads. "In the future, we will generate funds from the service and ads, as in the U.S.," she said.

## GLOBAL REPORT

# Cable winds a longer route over Argentine countryside

By DOMINGO DI NUBILA

**BUENOS AIRES** The growth over the past few years of cable systems around Argentina is as significant a development in the local tv picture as the privatization of three channels in Buenos Aires and the spread of satellite broadcasting.

Figures and statistics are always hard to come by in Argentina (as in other Latin countries), but about 1,000 cable systems are estimated to operate around this vast country, of which some 700 are linked to satellite feeds.

The advent of cable has revolutionized the viewing habits of many Argentines living outside the capital. In a country where networks are still forbidden by law, tv offerings in many towns were limited to canned product, sent on cassettes by the Buenos Aires channels. Only newscasts and special events would be sent by microwave or coaxials.

Around 10 years ago, state o&o Channel 7 (ATC) started beaming its programs via satellite to remote villages and to the Antarctic region, which had never before received tv broadcasts. Since Channel 7 has always been

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the poorest station in providing entertainment value, the move

only whetted the appetite of viewers.

Then in 1989, Alejandro Romay's Channel 9, the only private channel in the capital at the time, started beaming its top-rated programming via the Intelsat bird, linking with cable systems around the country and charging the cable operators 50¢ per month per viewer.

Though Romay declines to provide figures, insiders estimate that the channel bills around \$20 million a year on the cable links.

### Cable cornucopia

When Buenos Aires' Channel 11 (Telefe) went private last year, it started sending out its programming as of last November via the PanAmSat bird to cable systems around the country.

In addition, viewers are also receiving programs from CNN, ESPN, TNT, Brazil's Manchete, Spain's TVE Internacional, Italy's RAI, Mexico's Eco, Venezuela's Televen and Chile's Nacional, plus several channels from Buenos Aires' two cable systems, Cablevision and VCC (Video Cable Comunicacion).

This sudden transition from tv famine to tv glut triggered the rapid expansion of cable, as quality improved.

The latest company planning to join the cable sweepstakes is Imagen Satelital, controlled by Alberto González, who owns leading tv distribberly Telecinema. González is planning to provide a 24-hour feature-film channel. (Gon-

zález owns Channel 8 in Mar del Plata and is partnered with Mace-lo Bandiera, prez of Cintelba, another tv distribberly.)

Imagen Satelital has rented the last remaining transponder on the PanAmSat satellite and at presstime was poised to start beaming. The channel, called Space, will unspool six features a day. HBO is also poised to start beaming features to Argentine cable operators later this year.

Imagen Satelital plans to follow up with a second channel called Jupiter, which will program top tv shows, novelas and other fare 10 hours a day.

Also involved in cable is Dis-telecine's Eddie Gomez, another leading tv distrib from Buenos Aires, who is partnered with a cable operator in Rio Cuarto, the second largest city in the upscale province of Cordoba.

Back in Buenos Aires, Cablevision and VCC reach only 5% of residents, but they are the wealthiest 5%. Billings for each system were estimated at \$1.5 million to \$2 million per month.

# GLOBAL REPORT

## ESPN: We're happy we were here first

NEW YORK ESPN is not surprised at the sudden attention being lavished on Latin American cablers by world cable webs.

This month ESPN celebrates its second anni south of the border and is smug about its decision to pioneer the market.

"We were the first ones to sign with PanAmSat and send up a signal," said Andrew P. Brilliant, senior v.p. and g.m. of ESPN Intl. "Since then others have followed, which shows us that others now believe in what we pioneered."

Even though ESPN's satellite service began in 1989, it had been serving Mexico and providing service by tape to other Latin American broadcasters since the mid-'80s.

### Stretching out

"The service is the result of several years' involvement in the marketplace," noted Richard Stone, international sales chief for ESPN Intl. "Then when PanAmSat was launched, it gave us the chance to extend ourselves in the marketplace. The concept is right for us and for our programmers, either cable or broadcast. It's also right for advertisers, either those looking for upscale or for general public."

Although there is a current boom in Latin American cablers, much of the hemisphere uses multichannel MDS wireless cable systems that offer a limited number of channels. ESPN is pleased to get in on the ground floor, playing catalyst for definition of regional service.

The 24-hour feed uses six separately encrypted multi-audio-tracked channels on one PanAmSat transponder, with capability for English, a local language plus dialect. Although programming is run in English, last

year ESPN decided to carry the World Series in both Spanish and English. According to Stone, in the future the web "will offer more premiere events in English and Spanish, so cable affiliates anywhere in Latin America will have the option of carrying the signal in either language or just use the international soundtrack."

### From north to south of the border

Like the domestic signal, the Latin service originates from Connecticut, where the feed is separated into international and domestic signals. It is then sent up via the GTE Spacenet, which is downlinked in Miami and put up onto PanAmSat.

Much of the programming is the same as the domestic feed, but it is supplemented by product aimed at an international audience. This includes events such as NBA basketball, English and Spanish soccer, the Formula

Indie, the Tour de Pont, the baseball All-Star Game, cricket and rugby. Events are often carried live, whereas the domestic feed will delay international events for consumer convenience.

"As we put the international service together," Stone said, "we did it in consultation with our previous clients and ad agencies. We asked them how we should approach the market."

One suggestion was to carry important Latin American events, and ESPN is actively

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'Others have followed, which shows us that others now believe in what we pioneered.'

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acquiring regional programming through distribution arrangements. As a result, the market is amplified as these events are also carried to other offshore markets such as the Pacific, Europe and Japan.

### 'Two-way street'

"It's a two-way street," said Stone. "We look at Latin America as a source for programming. We're not just exporting; we're also acquiring and have acquired programming. We're not here just to pump American sports but international sports. We see ourselves as an international channel. For someone in Santiago, Chile, to watch live coverage of a soccer match from London as it happens is something never seen before."

Advertising can be carried throughout Latin America, depending on national restrictions, or on a market-by-market basis, giving local distributors the option.

"This is such powerful idea," Brilliant noted, "that many multinational firms such as Visa, British Airways and Budweiser are already involved with the network, and virtually every multinational company has been calling us."

PanAmSat also delivers ESPN programming to syndicates, making product available on a program-by-program basis for broadcasters who can record events for later transmission.

For example, Brazilian cable viewers could watch an entire event live at one hour, while local broadcasters can offer it later in the afternoon in a condensed version, reaching the broader market in Portuguese. This gives more exposure to the programming and is attractive to advertisers.

VARIETY®



GLOBAL REPORT

# THE LATIN AMERICAS



**LATIN BITES:** New York, hq. of Telemundo, home of Carlos Barba (longest running Hispanic tv exec). Los Angeles, largest Hispanic market in the U.S., home of Univis. Miami, home of Calle Ocho (Little Cuba), new home of Univision. Mexico City, home of media giant Televisa and Mexican Film Institute. Rio by the sea-o, as Fred Astaire sang, home of the Brazilian tv powerhouse TV Globo, Copacabana and Ipanema beaches, Pelé, Sonia Braga and Xuxa. São Paulo, industrial capital of Brazil, the center of TV Bandeirantes and stamping ground of Silvio Santos and his tv web. Buenos Aires, home of Carlos Gardel and tango, Argentine capital and hub for most tv, film, theater and music. Caracas, capital of Venezuela, where Latin America's popular "Crystal" soap was made; home of Venevision and Radio Caracas. Bogota, Colombia, former stamping grounds of Simón Bolívar, and site of the Gold Museum. Santiago, capital of Chile, economical leader over the past decade. Montevideo, capital of Uruguay. San Juan, P.R., site of the newly reorganized film festival, and films made by local talent such as Jacobo Morales. Havana, home of Castro and Cuba's yearly film festival. Lima, capital of Peru, take-off point for Machu Picchu.

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Turn to page 80

### The region at a glance

Population: 300 million.

Principal cities: Los Angeles, New York (U.S.), Miami, Mexico City (Mexico), San Juan (Puerto Rico), Bogota, Cali, Barranquilla, Cartagena (Colombia), Caracas, Maracaibo (Venezuela), Lima (Peru), Rio de Janeiro, São Paulo (Brazil), Santiago, Valparaiso, Viña del Mar (Chile), Buenos Aires, Cordoba, Mendoza, Mar del Plata (Argentina), Montevideo (Uruguay), La Paz (Bolivia), Panama City (Panama).

Languages: Spanish, Portuguese.

Number of VCRs: 14 million (Mexico, Venezuela and Colombia about 40% beta).

Turn to page 78

### INSIDE

Turner sets its eye on Latin market

62

Brazil's tv thrives during recession...

64

...But its filmmaking stops

81

# Sat shakeup rocks Latin tv

Continued from page 59

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In Mexico, Multivision, a branch of Telerey, is already transmitting eight channels since it started up on Sept. 1, 1989, and plans to add four more channels to its operation. Multivision reaches 90 other cable systems in Mexico via a multiple-point over-the-air system totaling some 600,000 subscribers.

Further south, in Caracas, Venezuela's largest cable operator Omnivision inked a deal for a 50-50 joint venture with HBO to create a Spanish-language premium movie and entertainment service called HBO Olé for all of Latin America and the Caribbean Basin. The service is skedded to be launched in the second quarter of '91.

Omnivision, controlled by Rafael Urbina and Hernan Perez Belisario, plans to launch an eight-channel MDS service in Venezuela. Until now, Omnivision

broadcast only one channel to nine over-the-air cities. Estimates for HBO Olé's startup costs range from \$50 to \$100 million.

## Three-way action

HBO's moves come on the heels of TNT's Latin launch Jan. 28 of TNT Latin America, the first trilingual web (English, Spanish and Portuguese). The web is primarily a movie service grinding pics from the Turner library of MGM, RKO and pre-1950 Warner product.

Sister service CNN Intl. bowed in the region Feb. 4 with a 24-hour feed, and features two 30-minute Spanish-lingo newscasts daily. The new CNNI signal replaced the domestic CNN signal previously transmitted in the region. CNN is officially released through 35 broadcasters, 125 hotels and 46 cable services catering to 220,000 subscribers in Latin America and the Caribbean.

In January, TNT and MVS Multivision in Mexico inked a multi-million-dollar pact to bring the new service to cable subscribers in Mexico.

Already in the market for nearly two years, ESPN was the first service to sign with PanAmSat's satellite, and uses a 24-hour feed with six separately encrypted multi-audio-tracked channels. Although programming is run in English, ESPN's Andrew P. Brilliant said that some premiere events are also carried in Spanish, and that these would be expanded.

As for Mexican-based Galavision (a subsid of Televisa), it has been beaming to Latin American since last spring and links to about 70 cable systems in Argentina, Venezuela, Chile, Colombia and Uruguay, charging 42¢ per viewer. The unscrambled program is essentially Televisa's Channel 2 (El Canal De Las Estrellas). Galavision runs commercials for multinational advertisers ranging from Pepsi to Colgate.

"The cable market is growing enormously in Latin America," commented Univisa's Fernando Diez Barroso.

*Return to Steve*



# INVESTORS' NEWSLETTER

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## SATELLITE PROJECT DELAYED FURTHER

The Communications and Transport Ministry has called for new proposals to launch Thailand's first telecommunications satellite, thus further delaying the country's plan to have its own satellite.

The move to call for new proposals comes out when several other companies, local and foreign, have proposed to undertake the project with equally attractive offers. Previously, ThaiSat was the only firm which initially met all the basic requirements set by the ministry. But the Thai Government was under no obligations to award the concession to ThaiSat.

In its proposal, ThaiSat offered three options of financial benefits in return for the concession. The first would allow the Thai Government to earn a fixed income, the second a certain percentage of the project's net earnings.

The third offers a certain percentage of the project's net earnings.

Apart from ThaiSat, the ministry has received offers from Modular Construction and Supply Co Ltd, a Thai-registered company with Chinese and Spanish interest, TRW, an American aerospace company, and US-based Austra Comsat Co.

Thailand currently leases 4.5 transponders from an Indonesian company for both television and telephone purposes. The country plans its own satellite to meet the fast expanding telecommunications with current predictions to 8 transponders by 1995.

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# Cabinet Approves Thai Phone Project

By HELEN E. WHITE  
Staff Reporter

**BANGKOK**—The Thai cabinet, suspending hostilities after recent political squabbling, gave a big boost to private-sector involvement in developing the country's infrastructure by allowing a private company to build and operate a massive extension of Thailand's telephone grid.

The cabinet's go-ahead for agribusiness giant Charoen Pokphand group to install three million new telephone lines under a 25-year concession apparently marked a truce between warring political factions within Prime Minister Chatichai Choonhavan's seven-party coalition government. Fierce political infighting, much of it centered in recent weeks around the massive telephone project, had threatened to splinter the administration and force its disintegration, some analysts believed. But such strife wasn't apparent at Tuesday's meeting.

Much of the cabinet's lengthy debate on the plan, the largest single infrastructure project ever awarded to a private company in Thailand, centered on whether the entire project was legal. Under Thai law, only the Telephone Organization of Thailand, a state

enterprise, is responsible for the country's domestic telephone grid, which currently consists of 1.5 million lines.

But under the project approved Tuesday, telephone operations would be privatized in most regards except ownership. Charoen Pokphand would invest an estimated 150 billion baht (\$5.94 billion) to install two million lines in Bangkok and one million lines outside the capital; installation of the lines would be scheduled to coincide with the country's Seventh Five-Year Development Plan, which will begin in October 1991.

Though the Telephone Organization of Thailand, or TOT, would own the equipment from the moment of installation, Charoen Pokphand would be responsible for almost all aspects of operation and maintenance of the new lines. In return for the 25-year concession to operate the new lines, Charoen Pokphand agreed to give TOT 16% of total revenues from Bangkok, and 22% of revenues outside the capital. Charoen Pokphand's chief adviser in the project is British Telecommunications PLC.

Though the total contract's value is difficult to estimate, Transport and Communications Minister Montree Pongpanit told reporters last week that TOT expected to re-

ceive a total of 170 billion baht from revenue-sharing of the Bangkok lines during the entire concession period, and 161 billion baht from the provincial lines. Under the revenue-sharing formula, that would indicate that Charoen Pokphand stands to collect 1.47 trillion baht as its portion of the project's revenues.

Some ministers questioned whether such ad hoc pseudo-privatization would be in the country's best interest.

"This is a first pilot project" of such large scale semi-privatization, said Government Spokesman Suvit Yodmani. The cabinet therefore has instructed the Ministry of Finance, the National Economic and Social Development Board, and the Juridical Council to "draw up regulations so there will be no doubts any more" about the legality of similar projects in the future, he said.

The regulations should serve to enunciate government policies toward privatization. In the past, attempts at privatizing various services — such as port operations and electricity generation — have met fierce resistance from labor unions.

But labor unions were much less a problem to the TOT's move toward privatization

than was the state enterprise's own legal charter, which significantly circumscribes private-sector involvement.

"I think the feeling among a lot of technocrats is that they really need to get things done," and allowing the private sector greater leeway is the fastest means of tackling Thailand's infrastructure shortages, a securities analyst said. "But it's easier to work within the constraints of the legal system than to try to change it," and hence semi-privatizations, like the Charoen Pokphand project, may be the most effective way of confronting bottlenecks, he said.

The cabinet authorized the Ministry of Transport and Communications, which had proposed the project, to draw up a contract with Charoen Pokphand. After the contract receives approval from the Finance Ministry and the Public Prosecutor's Department, the contract will again be presented to cabinet for final authorization.

PAS

# Hong Kong acts to rationalise TV broadcasts policy

By John Elliott in Hong Kong

HONG KONG yesterday began to rationalise its satellite and cable television broadcasting policies when it announced licence arrangements which came down in favour of the Hutchison Whampoa group, headed by Mr Li Ka-shing, one of the colony's top businessmen.

But the plans failed to meet the demands of Hong Kong Cable Communications, a consortium which won Hong Kong's first cable television franchise in July last year. The largest shareholder in this consortium is Wharf Holdings, founded by Sir Yue-Kong Pao, an arch rival of Mr Li.

The government said it would license companies to use Hong Kong as a base for transmitting satellite broadcasts, subject to certain restrictions.

It is also to set up a separate licensing scheme for installation of satellite master antenna television systems (SMATV) in the colony.

This means that Hutchison can proceed with plans to start beaming television programmes within the next 12 to 14 months from Hong Kong across Asia and the Middle East, via a six-month old communications satellite called Asiasat in which it is a leading shareholder.

The future of the cable television venture hangs in the balance because the consortium argues that the satellite operations breach assurances it was given by the government about exclusivity last year.

The consortium has been riven by personality clashes, misunderstandings and other rows since it won the franchise. It is months behind schedule, despite pressure from the government to speed up

operations and sign franchise licences.

Sir Y.K. Pao, 71, has come out of semi-retirement to lobby government officials on behalf of the consortium. He is not likely to accept yesterday's decision with equanimity, and the shareholders are to expect to hold a board meeting tomorrow.

They may decide to fight the government's decision. But if they accept it, there will be a major restructuring. Wharf and another big shareholder, US West, which is one of the American Baby Bells, are expected to increase their shareholdings of around 25-27 per cent to nearly 50 per cent. This would enable other shareholders, notably a local company called Sun Hung Kai Properties, to reduce their involvement.

The government has tried to protect the interests of both the consortium and existing television stations by decreeing that the satellite broadcasters should not rely principally on Hong Kong advertising and should not charge viewer subscriptions in Hong Kong for six years. In addition, satellite broadcasting in Cantonese, Hong Kong's main Chinese language, is banned for three years.

Mr Richard Li, 23-year old son of Mr Li Ka-shing, who heads the satellite operation, said last night that the restrictions would not upset his plans because the broadcasting would be primarily aimed at Hong Kong's top English-speaking viewers who made up about 1 to 2 per cent of the colony's viewing public. This would only bring in about 4 per cent of the venture's expected international advertising revenue.

geostationary satellite, Insat II, is expected to be launched sometime next year and the second one a year later on an Ariane booster. An Indian Space Research Organization (ISRO) official said the space segment of Insat II will have three identical multipurpose spacecraft, which contrasts to Insat I with a twin space segment.

Each of these spacecraft will have a larger service capability than the Ford Aerospace-manufactured Insat ID—the last of the series was launched by a Delta rocket from Cape Canaveral. Insat II will be 50 percent heavier than Insat I, the official said.

Officials said that when Insat II moves into the operational phase, it will be used for the country's television broadcast, communication and meteorological services. The II-series program eventually envisages the launching of these spacecraft by an Indian geosynchronous satellite launch vehicle from Sriharikota, South India, in 1994.

#### CHINA LAUNCHES SATELLITE BANKING NETWORK

A national satellite network for banking services, built by the People's Bank of China, in the People's Republic of China, has begun trial operations.

With the center at Shahe town in Beijing, the network has linked banking offices in 15 large cities including Beijing, Tianjin and Shanghai. Financial institutions in another 25 cities soon will be connected with the network.

More than 400 cities will be covered by the network, said the bank's Governor Li Guixian. The network is designed to handle 1.2 million transactions per day. Experts said the operation of the satellite network will be a breakthrough in China's financial system.—DB

#### XINJIANG DEVELOPING SATELLITE COMMUNICATIONS

The central government of the People's Republic of China recently allocated millions of dollars, large numbers of scientists and technicians as well as facilities to assist the Chinese Xinjiang Uygur autonomous region to develop satellite telecommunications.

One of China's first five satellite ground stations was set up in Urumqi, capital of Xinjiang. In 1985, the state offered another five satellite television receiving stations which were set up in Urumqi, Hotan, Kashi, Yining and Altay, respectively. Since 1986, the state has paid for the establishment of three satellite telecommunications stations. At present, Xinjiang has more than 400 satellite television receivers and 65 percent of the local people have access to television programs.—DB

#### ANTI-DUMPING COMPLAINT FILED AGAINST JAPANESE FIRMS

American makers of new display screens for use in electronic gear accused Japanese

competitors recently of unfair price-cutting on U.S. sales.

A petition filed by the Advanced Display Manufacturers of America has asked the government to order penalty duties as high as 318 percent on Japanese imports that it said violate this country's anti-dumping laws. Dumping is selling at less than production costs or home market prices to capture an unfair share of a market.

The petition filed with the Commerce Department named 12 Japanese electronic companies, including Sharp Corp., Matsushita Electrical Industrial Co. and Hitachi Ltd. Those three were identified as the major suppliers to the United States, with a total of 38.5 percent of the U.S. market in recent years.

The other firms named were Toshiba Corp., Fujitsu Ltd., Hoshiden Electronics Co., Kyocera Corp., Matsuhita Electronics Corp., NEC Corp., Optrex Corp., Seiko Epson Corp. and Seiko Instruments and Electronics Ltd.—DB

#### SOUTH KOREA TO LAUNCH SATELLITE TO COMPETE WITH ASIAN DBS

South Korea will launch its first broadcasting satellite in April 1995, one year earlier than scheduled, Korean government officials said recently.

The satellite will begin operating in October the same year, the officials said. South Korea opted for an earlier-than-scheduled launch to cope with the increasing number of households in the country receiving Japanese direct broadcast satellite (DBS) channels. The technological developments also have enabled the earlier launch schedule, an official said. The government plans to ask a foreign country to launch the satellite. South Koreans will have ground control.—DB

#### PACSTAR REGIONAL SYSTEM GETS GO-AHEAD FROM TAIWAN

New life was breathed into the planned PacStar Asia-Pacific regional communications satellite system with the signing Oct. 19 of a memorandum of understanding linking Pacific Satellite Inc., owners of the PacStar concept, and Minister of Communications Clement C.P. Chang of the Republic of China (ROC).

The signing ceremony, also attended by Minister of Communications Brown Sina-moi of Papua New Guinea (PNG), calls for the joint marketing of PacStar capacity in what PSI Vice President Kim Degnan said will be a fully customized satellite constellation. It follows a similar ceremony linking the two Pacific nations in a program to work toward "implementation of the PacStar system at the earliest possible date."

"PacStar transponders are being customized for particular user and network applications and will be substantially higher power than any other transponders available or planned," Degnan said.—SC

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