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Televisa, Foreign Partners to Offer Satellite-Based Programming in U.S., Americas

by LADB Staff

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In late November, Mexico's giant telecommunications company Televisa announced plans to enter into a joint venture with three foreign companies to provide new satellite-based transmissions to households throughout Latin America. The new venture with Brazil's Globo Group, US-based cable company Telecommunications Inc. (TCI), and News Corp. (owned by media entrepreneur Rupert Murdoch), would create one of the largest communications companies in Latin America. In a press conference in New York City, the chief executives of the four companies said the venture would offer a total of 150 channels offering Spanish- and Portuguese- language programming to subscribers in the Americas, including the US.

Under the plan, Televisa, Globo, and News Corp. would each own a 30% share of the venture, while TCI would have a 10% participation. Murdoch said the four partners agreed to initially invest US \$500 million in the venture, mostly for development of infrastructure and satellite linkages and for market development and promotion. Under the timetable established by the four partners, the venture would initially set a goal to attract about 1 million subscribers in Latin America and another 400,000 in the US. The venture proposes to establish regional offices in Mexico City, Sao Paulo, Buenos Aires, and possibly Caracas.

"There will be local control, a local organization, and strong emphasis on the local culture and local needs," said Murdoch. All four partners in the venture have a successful track record in the mass media market. For example, Televisa which operates four networks in Mexico is the world's largest producer of Spanish-language programming. Similarly, TCI is the largest cable television company in the US, while News Corp. has extensive broadcast operations in Britain, Asia, and the US, including the Fox Network. Globo is Brazil's largest television network.

The agreement is the second proposal for a region-wide satellite-based television venture. In January of this year, Mexico's Multivision formed a partnership with US-based Hughes Communications, Venezuela's Grupo Cisneros, and Brazil's TV Abril to offer a regional television package to subscribers in Latin America. The Multivision venture formed with the three foreign partners is called Direct TV Latin America. In an interview, Grupo Cisneros executive Edurado Hauser said Direct TV Latin America will be in a better competitive position from a marketing standpoint than the new partnership, since his group will be able to begin operations sooner. Direct TV Latin America is scheduled to begin operations in March 1996, two months before the scheduled operation date for the Televisa-TCI-Globo-News Corp. venture.

The Televisa venture, and to a lesser extent the Multivision partnership, has created new concerns for President Ernesto Zedillo's administration. According to mass media experts, the main threat to the federal government is that both the Televisa and the Multivision partnerships rely extensively on the usage of foreign satellites at the expense of Mexico's state-run satellite system. Indeed, as

part of the joint venture agreement, the four partners signed a long-term agreement with the private companies PanAmSat and Intelsat. Televisa owns a 40% share in PanAmSat, which operates three satellites and is in the process of building three more. PanAmSat has 270 clients in 70 countries. The extensive use of foreign satellite systems could limit the attractiveness of the satellite system to private investors, thereby reducing the administration's success in privatizing the system.

In early November, the Communications and Transportation Secretariat (SCT) said an informal survey showed that 35 Mexican and foreign companies had expressed interest in bidding for concessions to operate the government's satellite system. The SCT noted, however, that Televisa and the telephone monopoly Telmex were not part of this list. The SCT has yet to announce a formal position on the Televisa venture, although some SCT officials have hinted that the Zedillo administration may oppose the Televisa venture, which must still receive formal approval from the federal economic competition commission (Comision Federal de Competencia Economica).

In an interview with Inter Press Service, SCT deputy secretary Carlos Casasus emphasized that the Zedillo administration in no way has granted Televisa the authority to offer the services proposed by the joint venture the company formed with the three foreign partners. Casasus said the administration will closely examine both the Televisa and the Multivision ventures to determine whether they unfairly prevent competition in the area of pay television. The strong competition between Direct TV Latin America and the new partnership in a way reflects a similar struggle for market share and influence within Mexico between Televisa and Multivision.

In late October, Multivision filed a formal protest questioning the government's decision to award three additional channels to Televisa on the ultra-high frequency (UHF) bands. The protest charged that Televisa virtually holds a monopoly on the Mexican market, and the addition of channels would violate Mexico's competitiveness laws. Pending resolution of the Multivision protest, the SCT withheld final approval of the new channels for Televisa. Televisa responded by filing a lawsuit questioning both the constitutionality of the competition law and the competition commission and by questioning the legality of the procedures by which Multivision's cable franchise was first awarded.

According to Televisa, the competition law and the existence of the competition committee violates eight sections of the Mexican constitution, which prevent a single government body from making arbitrary decisions without first opening the issue to public debate. Many members of the Chambers of Deputies have publicly denounced Televisa for adopting a double standard in its position toward the competition commission. "Televisa does not complain about the commission whenever it receives favorable rulings," one member said. "Now Televisa has filed action even against Mexico's president." Indeed, the Televisa lawsuit to eliminate the competition committee makes specific mention of President Zedillo and key members of his cabinet, including Communications Secretary Carlos Ruiz Sacristan and Trade Secretary Herminio Blanco. The dispute led members of the special committee on social communications (Comision Especial de Comunicacion Social) in the Chamber of Deputies to summon chief executives Emilio Azcarraga of Televisa and Joaquin Vargas to present their positions during hearings in early December. Meantime, as an alternative the SCT has proposed granting Multivision another band. However, media specialists note that this action would be illegal under the regulations of the competition legislation, which require that concessions of any television channel or band be awarded only through open bidding. (Sources: Agence France-

Presse, 11/20/95; La Jornada, 10/26/95, 11/21/95; Reforma, 10/23/95, 10/24/95, 10/30/95, 11/01/95,
11/21/95; Inter Press Service, 11/22/95; El Financiero International, 11/27/95, 12/11/95)

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