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LADB Staff

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U.S. Broadcaster Interested in Mexico's TV Market

by LADB Staff
Category/Department: Mexico
Published: 2005-08-10

General Electric Co., which owns the US television networks NBC and Telemundo, has acknowledged interest in investing in the Mexican broadcast market, but the move could put the US company into conflict with broadcast giant TV Azteca. GE has said that it intends to become a minority partner in independent broadcaster Corporacion de Noticias e Informacion (CNI) through its Mexican affiliate GE Mexico. CNI is owned by Televisora del Valle de Mexico (TVM).

Under Mexican broadcast laws, foreign companies like GE can only participate in media enterprises through neutral investments, by which they can participate in some financing operations but are not allowed to become involved in managerial decisions. "GE Mexico will consider participating as a minority partner only if all the legal authorizations are secured in a timely fashion," the company said.

Deal may renew conflict with TV Azteca

GE's possible incursion into the Mexican broadcast market places the company into direct conflict with TV Azteca. The Mexican broadcast giant, which is a minority owner in CNI, tried unsuccessfully to gain full control of CNI in 2003 (see SourceMex, 2004-10-13). GE's participation could make any future efforts by TV Azteca to take over CNI more difficult. Additionally, the Mexican Senate has proposed major reforms to the country's broadcast laws, which would curb the power of the major networks and conceivably make it more difficult for TV Azteca to gain control of independent broadcasters like CNI (see SourceMex, 2005-05-25).

Furthermore, NBC and TV Azteca already have a conflictive history, having ended a partnership on bad terms in 2000. NBC accused TV Azteca of reneging on payments, while the Mexican broadcaster charged its US partner with breach of contract. The two companies dissolved their partnership after TV Azteca agreed to pay US$46.2 million to NBC. TV Azteca said it would have to be consulted on any decisions to bring in minority partners to CNI. "Otherwise, any agreement would not be valid," said Hernan Cabalceta, an attorney for the broadcast giant.

Furthermore, TV Azteca and the Mexican government are now questioning the manner in which NBC is seeking to develop a relationship with CNI. Through GE Mexico, the US company offered a loan of 53 million pesos (US$5 million) to CNI to help the company pay the salaries and benefits of striking workers who went on strike in May after the company failed to make its payroll.

GE Mexico officials at first denied there were strings attached to the loan but later acknowledged its interest in acquiring a share in CNI. The loan prompted Communications and Transportation Secretary Pedro Cerisola to ask the banking regulator, the Comision Bancaria y de Valores (CNBV), to investigate the transaction for any violation of Mexican and investment laws.
The CNBV will try to determine whether a substantial amount of foreign capital is being channeled into the CNI broadcast operations. CNI attorneys said, however, they are not concerned about the investigation. The GE loan is nonguaranteed, meaning that the funds have to be used for worker salaries and benefits or returned to the US company, said CNI attorney Javier Quijano.

The 150 striking CNI workers, meanwhile, remain suspicious of management and have said they will not negotiate an end to the strike until the government determines whether the GE loan is legal. CNI has been off the air since the strike began. "We hope that authorities do not take several months to conduct this investigation," said Gustavo Macias, legal counsel for the Sindicato de Trabajadores de la Industria de la Radio y Television (STIRT). "We will remain on strike for as long as necessary." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 10, reported at 10.58 pesos per US$1.00] (Sources: La Crisis, 07/22/05; Agencia de noticias Proceso, 07/21/05, 07/26/05; La Jornada, 07/26/05, 07/27/05; El Financiero, 07/22/05, 07/29/05; La Cronica de Hoy, 07/27-29/05, 08/03/05; El Universal, 07/22/05, 07/27-29/05, 08/02/05, 08/03/05)

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