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Regionalisation Of Pay Television:
CNN/Turner Broadcasting Perspective

By

Bryan McGuirk
REGIONALISATION

OF

PAY TELEVISION
THE CNN/TURNER
BROADCASTING
PERSPECTIVE

Delivered by;
Bryan Mcguirk
Managing Director
Turner International
Good Afternoon, I would like to thank the organizers at the Asian Mass Communication Research and Development Centre for asking me to speak today, I am Bryan McGuirk, Managing Director of Turner International Far East Limited, and am responsible for the sales and marketing of CNNI and Turner's newest network, TNT & Cartoon Network for Hong Kong, Thailand, Singapore and Taiwan (China). The topic we have been asked to speak on, regionalisation of television services is potentially very broad, what I plan to do is give to you a 'case study' on Turner and the development of our networks in Asia, Turner's experience in network regionalisation thus far, and some comments on trends and opportunities for
national broadcasters to participate in the growing satellite television industry.

Turner Broadcasting began in the early 1970's as a local UHF broadcaster in Atlanta Georgia. By the mid 1970's Ted Turner saw the opportunity to transmit its programs to cable operators, first by microwave and then in 1976, Turner revolutionized the US cable industry by offering its station via satellite to cable operators across the US. This created the Superstation concept and this general entertainment channel provided the investment capital Ted needed to launch CNN in June 1980. Soon after its launch, CNN began broadcasting via satellite to Asia in 1982. In 1985, Turner formed a new network, CNNI which was
responsible for broadcasting CNN outside the US. Initially the international feed was quite similar to the US feed, but now CNNI is almost completely different from CNN. The recent opening of our new US$10 Million production center in Atlanta gives CNNI the capability to produce up to seven regional feeds and incorporates state of the art digital technology. From the beginning, CNN has incorporated regional perspectives by opening its bureaus in Asia and reporting from these countries on a regular basis. Today, CNN now has six bureau locations in Asia: Tokyo, Beijing, Manila, Seoul, Bangkok, New Delhi, and soon CNNI will open its new production center in Hong Kong which will broadcast news live from Asia.
on CNNI's global feeds. CNN now employs over 3,000 journalists worldwide.

This series of steps has allowed CNN International to have the global coverage of news that has justified the expansion of its production facilities which has in turn has allowed for more regionalization of CNN's feeds. At present, CNNI offers four distinct feeds which go out globally these are: North America, Latin America, Europe and Africa, and most importantly to us, Asia. Each of these feeds is distinct from the others with special interstitial programming to promote programs designed for the audiences in their region. Some of the programming offered to different regions is different as well. For Instance, in Latin America, CNN Noticiero
delivers four half hours of regionally focused news in Spanish during prime time on a daily basis. Both the European and Asian feeds are dayparted to focus on news, sports, and business issues of particular interest to their regions. In Europe, CNN is a joint venture partner in a 24 hour German news network - NTV; in France, CNN has subtitled CNN programs, and in Japan, CNN is subtitled in Japanese and a programme called "Tokyo Live" is produced by our partners JCTV and updates local audiences on local news. In Hong Kong, Wharf cable is now producing four half hours of local news to tie in with CNNI. But for the most part, the programs that make up CNN International are shown globally. This is what our audience expects of CNNI. The
mission of CNN has never changed. Since its inception, it's goal has been to be the world's News leader. Its focus therefore will always be global, even if technology allows us to do subtle customisation, this mission will never change. CNNI's mission is to focus on the top international stories of the day, not to focus on local news or in any way usurp the position of local broadcasters. CNNI believes that it is the Thai broadcasters job to cover Thai news; and CNNI knows that they are better qualified and better equipped to do that.

Turner's entertainment networks as of October of 1994 will have a world-wide reach. In 1991, my career began with Turner as part of the team launching TNT
(Turner Network Television) throughout Latin America. At the time, it was the first movie channel to launch in Latin America, and possibly anywhere with three language tracks carried simultaneously. TNT broadcast Hollywood's best movies from Turner's newly purchased MGM library, in English, Spanish and Portuguese. Within three months this network was being seen in seventeen countries as part of multi channel pay television offerings. In October 31, 1992, Turner launched its most ambitious international entertainment service to date, TNT & Cartoon Network beamed from its London headquarters to the Astra satellite serving Europe. This service combined the brand names of two of Turner's most popular networks and
created a dayparted service. By day the service shows children's cartoons many of which are from the Hanna-Barbera Cartoon Library, which Turner purchased in late 1991. These 6,000 half hours of cartoons include some of the most loved characters in the world including Fred Flintstone, Yogi Bear, and Tom & Jerry just to name a few. At night this network gives way to award winning classic movies on TNT, showing titles like Gone With the Wind, North by Northwest, or modern classics like Crazy in Love starring Holly Hunter or Gettysburg starring Jeff Daniels and Martin Sheen. In Europe the slogan was "Yogi by day, Bogi by night." TNT launched with tracks in French, Dutch, Swedish, Spanish, and English. This network is now seen in over
20 million satellite and pay TV households in Europe and research indicates it is the most watched children's channel in Europe.

Later this year Turner will launch TNT & Cartoon Network in Asia. It will incorporate some of the same concepts as its European cousin, but it will be distinctly Asian in that it will be produced in Asia by an Asian staff led by Celia Chong, who may be familiar to some of you as the former channel manager of Star Plus. (WE cannot say where because the network still awaiting regulatory approval) but it will be transmitted with tracks in English, Mandarin and Thai. Thus far we have had a tremendous response from the market,
Now that I have given some background on the development and global expansion of Turner's Networks, I have to say that transnational broadcasters can only go so far with regionalization. Technology may allow us to focus our message a bit more clearly and even deliver entertainment in local languages, but in my opinion it will be the locally produced programs that will have mass appeal. It is our hope that Turner's entertainment networks will help encourage more local production and provide viewers with more choice. Just as Turner has done with CNN, we hope to create new opportunities to share ideas,
technology and training to help build the pay television industry around the world.

In the past, with Analog satellite transmissions, only large international broadcasters or government supported networks could afford the cost of satellite transmission. At present there are precious few available transponders in Asia. Within the next few months, a number of new satellites will be launched that will change the landscape dramatically. These estimated 30 new satellites to be launched will potentially provide over 4,500 transponders using today's known video compression capability. This will have a dramatic effect on the cost of entry to satellite television. In the past, the largest single cost item in
most satellite ventures has been satellite transmission costs. Eliminating or greatly reducing this cost will allow more local entities previously excluded into the satellite television game.

Soon national, even local broadcasters will become big players in a highly localised pay TV industry. Thus far much of the Pay TV industry's development has take place with little involvement from local broadcasters. Some notable exceptions are TVBI with its two satellite networks beamed to Taiwan and beyond and from China, CCTV beams programs worldwide to overseas Chinese on CCTV 4 transmitted via satellite. The national and local broadcasters have been hesitant to get involved in something that is
competitive to their primary business. The development of the pay TV business in the US was much the same. After more than twenty years of watching on the sidelines, the US free broadcasters are now becoming very involved in new programming ventures on pay TV. For instance, FX, Fox broadcasting’s new channel is presently launching with great fanfare. CBS and NBC are planning cable TV programming ventures as well. I am sure that these new ventures by broadcasters in the US will gain some market acceptance, but will be limited by the late entry of the channels. The pay TV industry in the US now has well over fifty channels to choose from. Each additional channel tends to get lost in the clutter of choice. The early entrants in the market,
including channels from Turner are by far the most loyally watched networks.

In Asia, we invite the national and local broadcasters to become involved in pay TV ventures early. Why wait twenty years to give the public choice and take full advantage of your programming libraries already owned. Ultimately this type of development, driven by lower cost technology and good business sense will cause dramatic increases in localised regional programming. It is this increased demand for programming that will drive increased local production. Asia has an advantage that its US counterparts did not have, forward thinking governments that understand the interconnectedness of digital technology and television; and many
of these governments are at present reregulating these industries to open up their markets to greater investment. In five years, we will be likely to see a variety of different models on how to deliver entertainment to the home, some driven by geography, some by finances, but all will offer more choice to the viewer.

**Turner's Strategy for Distribution**

One of the issues I feel strongly about and would like to discuss is an important one - this is the fact that cooperation with transnational broadcasters can help develop the local industry.

Since the beginning in the early 1980's, Turner has tried to partner with strong
local companies to support the growth of pay television at the local level. Since 1982, when Turner signed its first agreements for CNN distribution in Japan, the company has focused on building mutually beneficial, long-term partnerships. These partnerships have included technical training, sales and marketing training, program sharing, co-productions and news sharing. Turner International now has over ten thousand customers in over two hundred territories. These customers are partners, advisor and friends. Sitting on this panel with me today is Anthony Chia, Director of News for Singapore Broadcasting, a long time CNN Broadcast affiliate and CNN World Report Contributor. SBC regularly participates in CNN's IPP training program
(quarterly training program held at CNN in Atlanta) and recently, BG Yeo, Minister of Information of Singapore visited CNN in Atlanta on behalf of SBC to share his views on the development of satellite television in Asia. Anthony, thanks to SBC for your support.

As a transnational broadcaster, I am constantly reminded that no level of technological sophistication can replace strong local partners and good quality local programming.

As an example, Turner works with IBC Cable here in Bangkok to deliver CNNI to its nearly 100,000 cable customers. This cooperation helps generate subscription
revenue that supports the MCOT (Mass Communication Organisation of Thailand). A healthy MCOT will insure the longer term success of the industry and encourage developments in local production. IBC offered CNNI to its customers as part of its basic cable package from its beginning in 1991. During its second year subscriptions were stagnated at the 20,000 level, IBC launched a Thai entertainment channel which quickly grew subscriptions to the 60,000 subscriber level. This example illustrates the power of solid local programming can compliment international networks. As Turner launches its first entertainment network in Asia, we are looking forward to expanding our co-operation and training with our
existing partners in the entertainment area.

In my final thoughts, I would like to discuss satellite economics - how are these global networks supported as they expand regionally?

Turner's networks are supported by two major sources of revenue. The first is a low, affordable subscription fee. Turner tries to keep this as low as possible to insure the widest possible basic cable distribution.

The second revenue stream is fees from pan-regional advertisers. Turner's networks are global in reach and our pan-regional advertising is targeted at
companies operating in more than one country. These multi national firms like American Express, General Electric, or even associations like Thai Tourism and others want to reach the select demographic audience that CNN delivers. This advertising is not funded by local country based budgets, but rather from newly created corporate image budgets. Because of its limited but wide geographic distribution Turner has found that this pan regional medium competes more directly with magazines than with local television.

This is not to say that some new entrants in the satellite broadcasting market may not try to target local advertising budgets, it could happen, but this is not Turner's strategy. We have built the pan-regional
advertising business in Europe and we are now building it in Asia and Latin America.

Unfortunately, some markets are creating advertising restrictions that have forced Turner to depend more than we would like on subscription fees.

We understand the difficulty in setting regulations in this evolving industry, but we hope that these markets will be opened up to allow in additional pan regional advertising dollars ready to be invested.

What is the common element that has allowed the satellite television industry to grow? It is without a doubt technology, the dramatic changes in technology have
made possible global news conferences, fly away uplinks and other production tools which are now standard for CNNI. By welcoming new technology and incorporating it into our employees daily lives, these changes have benefited our organisation and our local partners. With the digitisation of television each of these local TV companies will again see significant change in the affordability and ease of satellite broadcasting. Who knows, in the future, each household may be in a designated broadcast region with fully customised programming. We can only hope that our continued co-operation with local companies will allow Turner's networks to be among the hundreds of choices the viewer may have.
Today, I have outlined a bit about the history of Turner's networks, how CNNI and TNT & Cartoon have expanded and customised regionally, and given some ideas on how national broadcasters can become more involved in the growth of pay TV.

Thank you again for the invitation to speak today, now I will be happy to answer any questions if there is time.