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LONELY VOICE
**Venezuelan Cable Station
 Faces Chávez Showdown**
**After Loss of License,
 Feisty RCTV Returned;
 A Second Crisis Looms**

 By **JOSÉ DE CÓRDOBA**
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CARACAS, Venezuela -- A samba band snaked through the studios of Radio Caracas Television on July 16 to celebrate the broadcaster's return as a cable station just seven weeks after President Hugo Chávez refused to renew the station's broadcast license, knocking it off the air.

The new cable version of RCTV, called RCTV International, was just as feisty as the broadcast version had been. Popular anchorman Miguel Ángel Rodríguez started his show with a Chávez critic who blasted the arrest of four university students for handing out political leaflets during a soccer game. Next, a Catholic bishop warned that Venezuela was sliding toward totalitarianism. "I'm so happy to be back," beamed RCTV co-anchor Luisiana Ríos.



Hugo Chavez

But the celebration turned out to be premature. The Chávez government last week announced legal requirements that may force RCTV International off cable outlets tomorrow, possibly silencing the opposition broadcaster for good. Essentially, the Chávez government is requiring RCTV International -- a Miami-based company which gets much of its programming from Caracas-based RCTV and transmits to Latin America -- to register as a Venezuelan content producer. The registration requirements, which include airing Mr. Chávez's marathon speeches, would make the cable venture economically "unfeasible," says Marcel Granier, RCTV's chief executive officer.

RCTV International's managers are considering their options. So are Venezuela's cable and satellite-TV operators, who worry that if they continue to carry RCTV International programs, the Chávez government will hit them with heavy fines, says Mario Seijas, the president of the Pay TV Association of Venezuela, whose members include both satellite and cable operators.

RCTV's travails show how difficult it has become to remain politically independent during the tenure of Mr. Chávez, who has said he needs to exert a "new hegemony" over most aspects of Venezuelan life to create "21st-century socialism." In recent years, Mr. Chávez has moved to squelch political opposition and to extend his brand of left-wing politics to neighboring countries. His efforts to control the domestic media threaten to silence a key mass outlet for opposing views.

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Since winning a landslide re-election in December, he has nationalized the country's leading telecommunications and energy companies and taken majority control of major oil projects from foreign oil companies. He's tightened his grip as well on the country's armed forces, who now salute superiors with a slogan popularized decades ago by Cuban dictator Fidel Castro -- "Socialism, Fatherland or Death." In the weeks ahead, Mr. Chávez plans to unveil a draft of a new constitution that is expected to include an end to presidential term limits.

'Four Horsemen'

Mr. Chávez has had a turbulent relationship with Venezuela's media since he was first elected in 1998. As disenchantment grew over Mr. Chávez's radicalization and over his close relationship with Mr. Castro, the four major private broadcasters, together with the nation's unions and business association, moved to fill the power vacuum caused by the collapse of Venezuela's established political parties. Mr. Chávez dubbed the broadcasters the "Four Horsemen of the Apocalypse."

During three turbulent days in April 2002, when Mr. Chávez lost power in a coup attempt and then regained it, private broadcasters lined up with the opposition and didn't broadcast pro-Chávez protests. That, together with the broadcasters' support later that year for a two-month general strike against the Chávez government, earned the broadcasters Mr. Chávez's enmity. The broadcasters deny having anything to do with the coup and say they couldn't report events because it was too dangerous for their reporters to do so.

Mr. Chávez has denounced broadcasters as tools of the rich, and has used their need to renew government broadcast licenses as a pressure point. Billionaire Gustavo Cisneros, who with his brother Ricardo owns RCTV's main rival, Corporación Venezolana de Televisión CA, known as Venevisión, met with Mr. Chávez at a Caracas army base in 2004. Afterward, Venevisión softened its news coverage and canceled a show by Napoléon Bravo, an acerbic political commentator. "We stopped putting salt and pepper on the news," says Mr. Cisneros. "It was a matter of survival."

RCTV, however, kept hammering at the Chávez government. Its newscasts focused on a growing crime wave in Caracas and provided a voice both to Chávez foes and to supporters who complained about the government's inability to provide housing and other services. "Facing a totalitarian regime, you can either adapt to it, thinking you will survive, or you can confront it," says Mr. Granier, RCTV's chief executive, who owns a large stake in the station.

RCTV's management figured that the station's popularity would protect it from attack by the Chávez government, which already was being criticized internationally. But in December 2006, shortly after Mr. Chávez was re-elected, he announced that the government wouldn't renew RCTV's broadcasting license this May. He cited the station's alleged links to the failed 2002 coup.

When the government closed the station, it seized RCTV's transmitters and equipment worth \$130 million to use for a new government station that is now using RCTV's broadcast frequencies, Mr. Granier says. The shuttering of RCTV sparked international criticism and a nationwide student movement to defend civil liberties, but Mr. Chávez refused to budge.

Now Globovisión, an all-news channel that reaches about 20% of Venezuelan households, is the only remaining broadcaster that sharply criticizes Mr. Chávez. It too has been threatened with closure by the government. Another broadcaster, Televen, has



made compromises, taking a program that regularly disparaged the government off the air, although it still broadcasts some news that is critical.

Chávez supporters carrying a coffin decorated with image of RCTV executive Marcel Granier, depicted as Hitler, and a sign that reads in Spanish, 'RCTV Rest in Peace.'

Meanwhile, over the past five years, the number of government channels has gone from one to six. Venezuela's congress and other Chávez-controlled government entities such as the municipality of Caracas have started TV stations that take the government line and criticize Mr. Chávez's enemies.

The loss of RCTV's broadcast license crippled the station, which had revenue of about \$250 million a year, says Mr. Granier. RCTV and Venevisión have been perennial rivals for the top spot in Venezuela's ratings race. RCTV's broadcasts had reached 95% of Venezuela's more than 5 million households. Venezuela's cable and satellite-TV channels, by comparison, reach just half of the nation's households. If it remade itself as a cable station, RCTV figured, it might lose 80% of its advertising revenue. It was unsure how many of its 3,000 employees it could retain.

Even so, RCTV thought it could survive. It could count on the goodwill of many Venezuelans. In some public opinion polls, eight out of 10 Venezuelans, many of them supporters of Mr. Chávez, opposed the president's move to close RCTV. During the seven weeks RCTV was off the air, Globovisión provided an hour of broadcast time for RCTV to air its news show, which quickly won top ratings. RCTV executives also figured that the company's international visibility would enable it to line up new cable customers elsewhere in Latin America and among U.S. Hispanics.

New technology also held promise. Even though the Chávez government had banned RCTV reporters from many government offices, including those of the president and vice president, the station kept reporting news events. The reports were carried on the station's Web site and on cable by Caracol TV, a Colombian broadcasting ally. When RCTV's Web site crashed due to heavy traffic, the station posted segments on YouTube.

The station's on-air personalities tried to keep the station alive in the minds of viewers. Stars taped future episodes of soaps. RCTV presented top-rated shows such as "Radio Rochela," a long-running satire, and quiz show "Who Wants to Be a Millionaire?" live in two town squares in Caracas's suburbs, drawing large crowds. "None of us knew how important we were to our public," says Juliet Lima, the young star of Camaleona, one of RCTV's top soaps.

RCTV began laying plans to transform itself into a cable channel that would use Miami-based RCTV International, a related company that shares some stockholders with RCTV, to transmit its programming to cable subscribers in Venezuela and other countries. It already had experience in that field. It long had sold programming to RCTV International, which was already marketing RCTV shows and programming from other nations around the world.



David Perez Hansen, an RCTV journalist, protests his station's removal from the air.

By sending programming through RCTV International, RCTV figured it wouldn't be required to follow Venezuelan domestic broadcast regulations, including having to air Mr. Chávez's hours-long speeches and news conferences. Last week, for instance, Venezuela's domestic stations had to broadcast 13 hours of Mr. Chávez's ruminations about the health of his friend Mr. Castro and the high quality of Cuban cows, among other things.

On July 16, RCTV relaunched as a cable station. In its new incarnation, it increased the amount of time devoted to news and opinion to six hours a day, from 4½ hours. The first two weeks

looked promising, with the station drawing high ratings.

Caracas newspapers ran front-page stories describing how poor Venezuelans in shantytowns ringing the capital, in order to get RCTV International, were pooling resources to buy satellite dishes and subscriptions to cable television. A photograph in *El Universal*, a leading newspaper, showed a barrio family of eight watching the predawn inaugural broadcast on its newly purchased satellite service.

RCTV's executives cautioned that the cable company would face immense financial challenges. "We won't make money for many years," said Julian Isaac, RCTV's vice president in charge of marketing. "We are not even talking about breaking even." Some major advertisers remained supportive, such as *Empresas Polar*, a beer and food maker that is the largest private company left in Venezuela. Others canceled their ads, says Pablo Mendoza, RCTV's vice president of market studies.

Heavy Fines

Last week, the Chávez government further increased the pressure. Writing to cable-TV carriers, Telecommunications Minister Jesse Chacón told them that Miami-based RCTV International must register as a domestic content producer, subject to Venezuelan domestic regulation. If RCTV International doesn't comply, cable and satellite-TV operators will be required to drop the channel by tomorrow or pay heavy fines.

Mr. Chacón told reporters he saw no difference between RCTV and RCTV International because "they generate all their information in Venezuela and their production is aimed at Venezuelan society." RCTV International, he said, was just a "mechanism" to try to avoid Venezuelan regulations.

"We don't have a choice" about dropping the channel, says Mr. Seijas, the president of the Pay TV Association. One association member that carries the RCTV signal is DirectTV, 39% owned by News Corp., which is negotiating to buy Dow Jones & Co., the publisher of *The Wall Street Journal*. Mr. Seijas says that DirectTV's position is the same as the association's.

RCTV's Mr. Granier contends that "the government is trying to intimidate the cable operators," and that the requirement is illegal. As an international cable operator, he says, RCTV International is comparable to the Disney Channel and CNN, and shouldn't have to register as a domestic firm. Although most of RCTV's programming is still produced in Venezuela, the company says, its channel includes content from other international providers, such as Televisa and TV Azteca of Mexico and Time Warner Inc.'s Warner Brothers Entertainment unit in the U.S. RCTV International's signal also is carried by cable operators in Aruba, Curacao, and Trinidad and Tobago.

Mr. Granier says he plans to appeal the government's decision, and hopes to persuade satellite-TV stations to continue to carry RCTV International. He also is planning to beef up what he calls "strategic alliances" with other broadcasters and cable operators in the region to carry RCTV programming. Some of those stations, like Colombia's Caracol TV, are seen on Venezuelan cable TV.

A fallback position is for RCTV to continue producing soaps and other programming. Mr. Granier is not sure he'll be able to continue the aggressive news coverage and political satire that has so irked Mr. Chávez. "We will have to re-evaluate things," he says.

Ms. Lima, the soap-opera star, is disheartened. Two weeks ago, she felt her station's own drama would turn out to be a defeat for Mr. Chávez. "Like all soap operas, there is a villain who makes life impossible for everybody, but then in the last chapter, the villain gets his just deserts," she says smiling. Now, she says, she's not so sure. "I feel we are starting out from zero again," she says.

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