

# Technology

## HBO, SHOWTIME, NETLINK AND SOUTHERN SATELLITE ADOPT VIDEOCIPHER-RS

*Aiming to end signal theft, General Instrument commits \$50 million to upgrade consumer descramblers; programers will 'shut off' old encryption system next fall*

By Peter Lambert

General Instrument Corp.'s VideoCipher Division will plunk down \$50 million this year to replace approximately 270,000 home satellite descramblers and maintain control of a video encryption market almost lost because of widespread black-market sale of altered VideoCipher II descramblers.

VideoCipher "overpromised" the security of VC-II back in 1985, said division senior vice president Ken Kinsman, "and we're going to make up for that overpromise now."

Agreements reached last week with satellite programers Home Box Office Inc., Showtime Networks Inc., Tele-Communications Inc.-controlled Netlink USA Inc. and Southern Satellite Systems Inc. call for General Instrument to begin next month delivering upgraded VideoCipher-II-Plus descramblers to those programers' paying subscribers, about 95% of the legitimate home dish market.

The programers agreed to shut off their VC-II satellite feeds, switching over to VC-II-Plus-only delivery, after the upgrade is completed, perhaps as soon as September 1992. GI is negotiating with other satellite programers, who will almost certainly follow suit and adopt the upgraded encryption system, said Showtime spokeswoman Tola Murphy-Baran.

Theoretically, the 600,000 to 800,000 users of VC-II's that have been illegally altered to receive programming for free will then be cut off. Programers hope a significant number of "black box" owners will then purchase a legal descrambler (\$336

wholesale, plus retail markup) and become paying subscribers.

The new VC-RS (renewable security) version of Plus will accept a credit card-like "TvPass" card carrying replaceable encryption information. (VC-RS will also include a VideoPal pay-per-view ordering system.) It remained unclear whether last week's agreements specify what circumstances would trigger replacement of TvPass cards, or who would cover costs, given a black-market break of VC-RS. But, said Kinsman, "the risk of security must be a shared proposition" between the programers and GI in the future.

In any case, programers agree that the ability to use the TvPass card to cheaply and swiftly upgrade security will make selling altered descramblers too expensive and the black marketers' promise of "free programming forever" impossible. Without piracy, say

the programers, the home dish market will prove a significant market worth pursuing in earnest.

For now, GI will handle the brunt of costs for delivering (and installing through local satellite dealers) VC-RS and recovering VC-II's (via postage-paid mailers delivered with the new units) from 270,000 legitimate users. Those would be in addition to approximately 450,000 VC-Plus units sold since early 1990 and now on line. Kinsman said 28,000 new subscribers were authorized in December 1991, about the monthly average last year.

Nevertheless, HBO, Showtime, Netlink and Southern Satellite expect to spend millions of dollars each this year to educate consumers on the need for, and benefits of, what one observer called "the most ambitious consumer electronics recall I know of."

Another programer said, "Considering that GI has made several hundred million dollars" on the sale of an estimated 1.5 million decoders (between 600,000 and 800,000 of them illegally altered after sale to receive programming for free), "their spending \$50 million this year can hardly be characterized as generous."

Success would assure that GI continues its six-year-old hegemony in the satellite TV encryption market—for now. "Does the agreement mean VideoCipher forever?" asked one programer. "No. It takes care of a major-league problem here and now." With digital satellite TV transmission—and a whole new generation of encryption technology—on the horizon, said another programer, "it's not inconceivable that we could someday use more than one encryption technology." ■

### DIGITAL ADS

Cable Television Laboratories has issued a request to more than 200 companies for information on proposed compressed digital commercial insertion equipment and services. Scott Bachman, director of technical operations projects for Cable-Labs, said cable operators could raise annual, per-subscriber spot ad revenue from \$1.50 to \$25 if they can use digital storage and insertion systems to overcome limitations associated with using videotape players to insert ads into 30-40 channels.