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Transformation of the media system under a neoliberal government (1998-2008): introduction of pay TV and competition in South Korea

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**Thesis Submitted in Fulfillment of the Requirements for the Degree of
Doctor of Philosophy**

City University

Department of Sociology, School of Social Science

May 2012

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Acknowledgements

This thesis has been a long journey reminding me once again the old saying that pain is gone, and pleasure is come. The Ph. D course was both rewarding and pleasant although, at some point, I could not avoid frustration arising from balancing work and study. None of it would have been possible without the support of many people. First and foremost, I would like show my great appreciation to Dr Petros Iosifidis and Professor Frank Webster who have co-supervised this thesis. Without their support, guidance and meticulous attention to building intellectual principles, the thesis would not have been completed. When I was frustrated and challenged during the journey, they always gave me helpful advice and encouraged me to complete the work.

My doctoral journey would not have been possible without the faculty and staff of the Department of Sociology, City University London who provided an immensely supportive and intellectually stimulating environment. Particularly, I would like to express my gratitude to the examiners who upgrade to Ph.D course and their constructive criticism and valuable guide to complete this thesis. I am also grateful to two institutions which provided grants and allowed precious research time: the former Korean Broadcasting Commission and the Korea Communications Commission. Additionally, I am indebted to all interviewees who willingly shared valuable time, information and the exchange ideas for this research. Thanks are due to research students at the City University London as well as the Korean students in London. I would also like to thank many doctors and nurses at Kingston Hospital in the UK and St. Mary's Hospital in Seoul. Without their treatment for unexpected disease, I would not here to write these acknowledgements.

Special thanks are due to my family and parents-in-law for their patience and support through this long endeavour. Last but not least, my love goes out to my wife, Hye Rim and my son Jimin who have been an endless source of inspiration. I will always cherish the memories we made during our time in the UK.

A declaration

I hereby declare that the work presented in this thesis is my own and has been developed under the joint supervision of both Dr Petros Iosifidis and Professor Frank Webster and any other assistance as stated and referenced in the thesis accordingly.

Early versions of sections of the thesis, particularly chapter 5, have been published in the co-authored book *The Cable TV industry in Korea* (2002, with updated editions in 2003 and 2007). In addition, Chapter 8 will be presented at the (forthcoming) conference in the “7th International Electronic Communications Regulators Conference: Trends in the Electronic Communications Sectors: Opportunities, Threats” in Istanbul, Turkey 2012.

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Abbreviation

ACT	Association of Community TV
ARPU	Average Revenue Per User
ATSC	Advanced Television System Committee
AVMSD	Audiovisual Media Services Directive
BBC	British Broadcasting Corporation
BSkyB	British Satellite Broadcasting
BTCPC	Broadcasting and Telecommunication Convergence Promotion Committee
CATV	Community Antenna Television
CBS	Christian Broadcasting System
CCA	Constitutional Court of Korea
CDPSB	Commission for the Development of Public Service Broadcasting
CDTB	Commission for Digital Terrestrial Broadcasting Digital Broadcasting Promotion
DAB	Digital Audio Broadcasting
DBPC	Digital Broadcasting Promotion Committee
DBS	Direct Broadcasting System
DMB	Digital Media Broadcasting
DMC	Digital Media Centre
DSM	Dacom Satellite Multimedia system
DSO	Digital Switch over
DTV	Digital Television
DTT	Digital Terrestrial Television
DVB	Digital Video Broadcasting
DVB-H	Digital Video Broadcasting-Handheld
EBS	Educational Broadcasting System
EU	European Union
FCC	Federal Communications Commission
FTA	Free Trade Agreement
FTC	Fair Trade Commission
GATS	General Agreement on Trade Service
GNP	Gross National Product
IMF	International Monetary Fund
IPTV	Internet Protocol Television
ICT	Information Communication Technology
ISDB	Integrated Service Digital Broadcasting
ITU	International Telecommunication Union
KBC	Korean Broadcasting Commission
KBS	Korea Broadcasting System
KBRC	Korean Broadcasting Reform Commission
KCCC	Korean Cable TV Communication Commission
KCC	Korean Communications Commission
KCTA	Korea Cable Telecommunication Association
KDB	Korean Digital Broadcasting
KDSB	Korean Digital Satellite Broadcasting
KEPC	Korea Electronic Power Corporation
KEPU	Korean Federation of Press Union
KIBF	Korean International Broadcasting Foundation

KOBACO	Korean Broadcasting Advertising Corporation
KT	Korea Telecommunication
LBA	Local Broadcasting Association
MBC	Munhwa Broadcasting Corporation
MCT	Ministry of Culture and Tourism
MIC	Ministry of Information and Communication
MCST	Minister of Culture, Sports and Tourism
MMS	Multi Mode Service
MPI	Ministry of Public Information
MPP	Multiple Program Provider
MSO	Multiple System Operator
MSP	Multiple System Provider
NGO	Non Government Organization
NO	Network Operator
OECD	Organization for Economic Co-operation and Development
OFCOM	Office of Communication
PACBR	President Advisory Committee for Broadcasting Reform
PP	Program Provider
PSB	Public Service Broadcasting
PVR	Personal Video Recorder
RO	Relay Operator
SBS	Seoul Broadcasting System
SO	System Operator
S-DMB	Satellite Digital Media Broadcasting
TBC	Toyong Broadcasting company
SKT	SK Telecommunication
TBC	TongYang Broadcasting Television
T-DMB	Terrestrial Digital Media Broadcasting
TNCs	Transnational Corporations
TPS	Triple Play Service
TWF	Television without Frontiers
UNESCO	United Nations, Educational, Scientific and Cultural Organization
VOD	Video On Demand
WTO	World Trade Organization

Abstract

Recent shifts in the media landscape, brought about by political, economic and technological innovations, pose vital questions for media policy. This study sets out to locate these questions within the context of an examination of media developments in South Korea during a decade of intense change (1998-2008) when a neo-liberal government took office. The central concern is to document and shed light on the workings of the media system during a period that saw the introduction of several pay TV platforms by a government that questioned core elements of established media practices.

Media development and its politics context have drawn much academic interest in recent years. However, little attention has been given to media development within the neoliberal government of Korea. Drawing on historical context, the thesis examines the politics of stakeholders in the media market and challenges of media policy within the shifting media ecology. To this end, the thesis employed political economy and media policy study disciplines. These disciplines incorporate an extensive study of literature, observational experience and semi-structured interviews. The thesis perceives the media market in a social context, composing of the government, market and civil organisations, while rejecting technology determinism.

Three key findings are identified throughout this thesis. Firstly, with respect to media structure, the thesis has identified that the introduction of the pay TV platform has driven market competition, but social values such as pluralism are not guaranteed. Secondly, referring to media policy, this work has demonstrated that the government still maintains strong authority over the evolution of the media system. Despite proponents of the decline in government due to socio-political shifts as well as the globalisation trend, this work has proven that the government is a decisive agent not only in determining the media structure but also in the expansion of platforms. Meanwhile, the thesis also identified that the incumbent regulatory regime is under attack because of a widening gap between existing regulatory regimes and new services initiated by new technology. Finally, in terms of relationships between stakeholders in the media market, the work has demonstrated that public broadcasters have remained an

influential player in the commercialised media market. It has been argued that the public broadcaster is in decline or demise because of shrinking funding sources, downsizing pressures and criticism of declining quality programming. However, the thesis has shown that the public broadcaster still retains its power in the commercial ecology. The thesis concludes that a healthy media market in a democratic society is constructed and sustained by a consistent media policy that balances public intervention and market principles.

Chapter 1 Introduction

1.1 Introduction

This thesis examines how pay television (TV) platforms have emerged and developed within the broadcasting market. Focusing on pay TV development in South Korea (hereafter Korea) during the neoliberal government (1998-2008), the thesis explores how media policy is constructed and how the media market is transformed in the process. The rise of commercial broadcasters and alternative medium, including pay TV funded by advertising and subscription fees, is reconstructing the media landscape which was exclusively dominated a few terrestrial broadcasters. However, a rising question is how the media market has changed and what the incumbent operators' responses were to new entrants during the introduction of pay TV platforms. The pay TV platform in the thesis refers to TV outlets providing a "multichannel" service to subscribers via a fee charging system. In contrast to existing terrestrial broadcasters, a pay TV service is a commodity what Mosco (1989) called 'pay-per society', where information is perceived as a means of resource and commercial interest. Broadly speaking, the pay TV platform includes cable TV, satellite TV, mobile TV and internet protocol TV (IPTV) services, in contrast to the existing free-to-air broadcasters.

The neoliberal government period in Korea can be regarded as a watershed in the development of subscription TV. In 1998, at the beginning of the neoliberal government tenure, cable TV penetration, the sole pay TV platform at the time, comprised barely 5 per cent of 15 million households throughout the country. However, a decade later, pay TV platforms has become prevalent. In 2008, just before the government stepped down, pay TV penetration reached more than 80 per cent. Moreover, according to the Organisation for Economic Co-operation and Development (OECD, 2011), pay TV diffusion reached around 90 per cent in 2010, ranking Korea as having the second largest pay TV rate . Indeed, the government actively embraced new types of TV outlets, launching digital satellite TV, mobile TV and IPTV, together with deregulation policies to boost the ailing cable TV. Actually, as Kim (2006) argues, Korea is known as "a showcase" or "a test bed" for pay TV platforms because of its introduction of multiple platforms over a short time period. At the start of the neoliberal government, viewers had access to less than 30 channels. By the end, however, thanks to the arrival of

multichannel platforms, more than 400 channels became available on TV (Korea Communications Commission, 2009a).

Yet, the pay TV sector has drawn criticism. Marking the 15th anniversary of the launch of cable TV, for instance, *Choi See-Joong* (2010), the chairman of KCC, declared the end of the “quantity growth” era in which the cable TV industry was embedded for the last fifteen years and insisted that it was no longer sustainable in the convergence era. And he criticised the cable TV sector, the leading pay TV platform by subscriber, arguing that subscriber number has been overemphasised to assess performance. Additionally, he urged the industry to invest in “quality programming” which also contributes to the expansion of the content market. This statement highlights key issues faced by the pay TV market: the absence of quality programming despite a competitive structure; a shifting media market with the arrival of convergence; and the incumbent problems in the pay TV market and expected government measures.

Contesting interests in the media market

Conflicting interests in the media market are acrimonious. Traditionally dominated by public broadcasters, the broadcasting market has since become a competitive structure. The removal of the public broadcaster system accompanied by the arrival of commercial broadcasters has paved the way for a ‘dual system’ where public and commercial terrestrial broadcasters compete to attract audiences. In Korea, the contemporary dual system was established in the early 1990s when the government recognised liberal policies in the media market associated with the democratic movement after the end of authoritarian rule. Nevertheless, one concern that arises, whenever a new media is introduced, is perhaps its effect on society and the media market. In this sense, no other media demonstrates as significant an impact as that made on society by the pay TV platform. Actually, the invention of pay TV platforms has profoundly altered the media market into a competitive structure. In addition, audiences can access multichannels and unprecedented new services. However, a marked feature is the growing conflict and tension among stakeholders who make up the media market (Curran, 2002: 65). Stakeholders include government agencies, regulatory authorities, incumbent and new operators. But competing interests in the media market is exacerbated by the

construction of a new media ecology driven by deregulation, globalisation, commercial trends, the technological shift and fragmented audiences.¹ In this process, media corporations adapt to new circumstances to survive, generate revenue and promote their interests in the media market. For incumbent corporations, how to sustain their power is a rising concern with the arrival of competitors. Particularly, a sharp conflict occurs between the public broadcasters funded by public resources and commercial pay TV operators.

The collision between the public broadcaster and the pay TV operator was crystallised in a public debate in the UK market. In 2009, James Murdoch, then the Chief Executive Officer of News Corporation in Europe and Asia, inveighed against the British Broadcasting Corporation (BBC) during his MacTaggart lecture. He accused the publicly funded BBC of a “land grab” of the media, depicting its commercial activities as “chilling” (Murdoch, 2009). Echoing the argument of his father, Rupert Murdoch (1989), James Murdoch claimed that the expansion of BBC threatens media pluralism and shrinks the private broadcaster’s arena. Furthermore, he criticised the Office of Communications (Ofcom), the UK communication regulator, for insisting on undue regulation in private corporations. However, his counterpart disclaimed the argument. In 2010, on the same platform, Mark Thompson, BBC’s Director General, defended the claim by arguing that Murdoch’s corporations, especially the leading pay TV operator British Satellite Broadcasting (BSkyB), are too powerful and threaten to “dwarf” the Corporation, as well as its competitors (Thompson, 2010). Moreover, he made a cogent argument for the need for public service broadcasting (PSB) and why it should be funded by the licence fee and be a protected organisation against commercial broadcasters.

The above clash clearly shows the contours of the media market that are the subject of this thesis. For BSkyB, the leading pay TV platform in the UK, the critical matter is the size and scale of public broadcasters to move into commercial market, coupled with media policies that significantly influence their business. Meanwhile, the public broadcasters face challenges posed by an adverse media landscape. On one hand, the broadcasters are committed to accomplishing remits what John Reith, the BBC’s first

¹ This will be discussed in more detail in Chapter 3.

Director General, called informed, educated and entertaining programming. On the other hand, it is forced to reinvent its remit to take on formidable pay TV operators.

Before embarking on other subjects, we will examine the debate on the public broadcaster at this phase. The public broadcaster is a unique concept, at their best, independent of government and commercial interest in a democratic society (Barnett and Seaton, 2010; Blumler, 1992; Brants and Siune, 1992; Iosifidis, 2007; Scannell, 2003; Tracey, 1998, see also Chapter 3). However, in recent years it is scarcely surprising that the broadcaster has drawn criticism from rivals, politicians and regulatory institutions. In fact, critics assaults on the public broadcaster's core services, inefficient organization structure, public funding as well as a decline in distinctiveness against commercial broadcasters (see Financial Times, 2009; Forster, 2010; Murdock, 1994; Chalaby, 2010; Revoir et al., 2009; Stephens, 2009). Nevertheless, the most critical subject is their expansion into private sector, as Murdock argued above. For instance, Patten (2012), the BBC Trust chairman, warned against "lowering of cultural standards" by BBC programming to cope with commercial broadcasters, demanding an end to vulgar programmes.

Amidst the intensified competition between commercial and public broadcasters, a critical question is the future of public broadcasters. More specifically, whether they are marginalised or remain in a commercialised media landscape, the broadcaster is persistently questioned in the changing market ecology. One study entitled, 'Does public broadcasting have a future?' by Siune and Hultén (1998), discussed the current condition of public broadcasters against their commercial rivals. Indeed, driven and compounded by neoliberal policies, the public broadcasters have struggled to survive. Mark Thompson (2005), the Director General of the BBC, stated:

Today we are living through advances in technology as momentous as the invention of radio and television. In almost every case, the technology will transfer power from schedulers and broadcasters to audiences. The proliferation of new digital service has significantly widened the choice available to consumers. The fragmentation of audiences as a result of these trends is posing a significant challenge for public service broadcasting. In order to prosper in the broadcasting market of the future, public service providers will have to work hard to audience to access their content and build brands.... a variety of distribution platforms.

This argument depicts the condition of public broadcasters in recent years. However, research conclusions are divided over the future of PSBs in a new media landscape.

Some scholars argue that the public broadcaster is expected to 'decline' or even meet its 'demise' in a competitive marketplace (see Murdoch and Golding, 1999; Tracy, 1998). In the same vein, Webster (2011) even claims that public service institutions, together with the public sphere, are jeopardised in a commercially-oriented democratic society. In fact, the aggressive commercial environment consistently forces the marginalisation of public broadcasters. Moreover, the advent of multichannel platforms and fragmentation of the audience exacerbates the situation. By contrast, some studies argue that public broadcasters remain in an adverse environment and are even taking a stronger position (see Padovani and Tracey, 2003; Bardoel and d'Haenens, 2008). The works insist that, by reinventing its commitments, it is resilient, retains considerable public in the new media ecology. Despite divided views on the relationship between public broadcasters and new TV platforms, it cannot be denied that there is sharp competition, as well as conflicts and contested interests in a profit-orientated market. In short, the advent of commercial broadcasters poses threats to the public broadcaster, despite being a necessary institution in society.

1.2 The media market and the neoliberal government

1.2.1 Neoliberal politics in Korea: a lost decade?

In this thesis, we will look at two key concepts prior to analysing the media organisation: neoliberal politics in Korea and the nature of the media market. Korea, to borrow from Hallin and Mancini's study (2004), is classified as a 'polarized pluralist model' since transitioning from an authoritarian to a democratic political system in recent years. From a political perspective, the nation is considered a "young" democracy because successive authoritarian regimes ruled until the 1980s. Nevertheless, Korea was known as one of the 'Asian Dragons' in economic development under state-led economic modernisation (Amsden, 1989; Hauvel and Dennis, 1993; Youm, 1996). But it is necessary to keep in mind that the outcome was at the cost of democracy and freedom of expression. By the economic development era, the broadcasting landscape was characterised as a state-controlled model, where mass media was an agent to serve unelected regimes and their activities were articulated by political aims (see Kim, 1997; Kwak, 2005; Park et al., 2000; Tunstall, 2007; Youm, 1996). However, democratic

transition after the Civil Uprising in 1987² gave way to the advent of the “neoliberal government”. The government, composed of two consecutive presidents, Kim Dae-Jung (1998-2003) and Roh Moo-Hun (2003-2008), took power and presented a new climate in Korea. Politically, the government attempted to reshape the nation by empowering the civil society to substitute the existing elite, while at the same time exercising liberal policies. In this stage, we define the concept of neoliberal politics.

In fact, neoliberal politics has been used increasingly by critics referring to political, social and economic reform and change in recent decades. However, scholars represent a divided view on the neoliberal paradigm. For instance, Gamble (2001: 127) describes neoliberalism as a ‘revival of the doctrines of the free market’. In this notion, neoliberalism means a return to the once discredited liberalism of *laissez-faire* principles. Meanwhile, according to Harvey (2005: 2), in a neoliberal government, the state role is to ‘create and preserve an institutional framework’ to guarantee the market function. Despite divided definitions, scholars generally agree on “a smaller role for the state and increasing market discipline”. Indeed, neoliberalism is most notably associated with the governments of Ronald Reagan (1981-1988) and Margaret Thatcher (1979-1990) in which market-driven policies were implemented, while government measures were characterised by deregulation or liberalisation in the market (see Leys, 2001; Steger and Roy, 2010). Accordingly, the concept of neoliberal politics is used here to define liberal policies in the media market and to facilitate market-oriented measures.

The neoliberal government in Korea took office in the late 1990s. In fact, as noted above, the nation was featured as state-driven economic development under authoritarian regimes until the late 1980s, when civil protest finally ended the authoritarian regime. In 1997, the opposition party, *the Democratic Party*, won the first

² The Civil uprising in June 1987, comprising of a broad coalition of the rising middle class, students, professionals and social groups brought down the last authoritarian regime in Korea. Democratic movements, sometimes called the “third wave” of democracy in the 1980s, and the change of political climate helped with the creation of civil activities and establishing non-government organisations (NGOs). Admittedly, prior to then, NGOs and their activities were subsumed in the sphere of the State. Consecutive regressive regimes, after the Korean War in the 1950s, by the 1980s not only oppressed the Freedom of the Press and civil organisations but their autonomy was negligible. Especially during the economic development stage by the 1970s, the development of civil or social movements was hampered by the alliance between the state and capital. For instance, until the 1990s, the regressive governments hindered the Korean Federation of Trade Unions, in the interests of the owners, and advocated the government policy, known as ‘corporatism without labour’ (Cummings, 2007: 27).

presidential election since liberalisation at the end of the Second World War. It was the first neoliberal government in modern history. In 1998, Kim Dae-Jung (1998-2003) became the first president to be inaugurated from the opposition party, coinciding with the Korean economic system being sustained by the International Monetary Fund (IMF). His inauguration meant the end of almost 50 years of conservative rule and the beginning of liberal politics (see Chang, 2008: 173-91; Kwak, 2005: 125). Like a 'Nelson Mandela of Asia', as the Economist (1998) described, Kim Dae-Jung was a veteran democracy campaigner in modern Korean politics, representing liberal policies.

Meanwhile, President Roh Moo-Hun (2003-2008), his successor, was described as the "world's first internet president" (Guardian, 2003). During the presidential election, alternative media, particularly the internet and citizen journalism, against the existing elite media regime, served a critical role in his being elected (see Kim and Hamilton, 2006; Rhee, 2010). Moreover, his victory in the 2002 presidential election showed the growing expectation for a free-market system and consolidation of democracy because Roh Moo-Hun in alliance with civil organisations, preferred liberal policies to public intervention and existing elites. The consecutive terms of two progressive presidents, called the "people's government" and the "participatory government" respectively, posed a new paradigm on the nation. Unlike their predecessors, the administrations implemented what Harvey (2005) called 'liberal policies', encouraged by the civil society, whose previous activities had been repressed under authoritarian regimes. In fact, the new liberal government drove liberal policy to rescue the nation from the IMF economic crisis and to rebuild the nation from authoritarian legacies.

Nevertheless, their performance drew contrasting views. The new ruling party, the *Grand National Party*, who took power in 2008, argued that the period discussed above is "a lost 10 years" (see Hankyoreh, 2008). In alliance with conservative newspapers, it criticised the liberal governments for leading the country into recession in the mid-2000s and for widening social disparity in implementing reform plans. On the other hand, former President Kim Dae-Jung denounced the criticism, claiming that "the past ten years is not 'a lost decade', but 'a recovered decade' in which people have regained the democracy lost over the preceding half-century" (Hankyoreh, 2007). In addition, President Roh, in refuting the criticism, in his commemorative speech for the 20th

anniversary of the June pro-democracy movement in 1987, said:

In the past, the establishment and conservative media had consistently talked about the 'incompetent democracy camp' in order to oppose reforms and block progressive moves... The economic crisis in 1997 was prompted by old systems under authoritarian rule, whose government-led finance and economy hadn't been reformed rapidly enough... With perfect change of political power, a perfect democratic government swiftly and thoroughly overcame the crisis (Hankyoreh, 2007).

The ideological contrasts in the twenty-first century were reminiscent of Korea in the nation-building post-war era. However, the outbreak of the economic crisis and reforms imposed by IMF, coinciding with the inauguration of the liberal government, led to unprecedented change in Korea as a whole, let alone the media market.

1.2.2 The nature of the media market and different models

This section, we will review existing literature surrounding the media market and politics. As we will elaborate below, a considerable number of studies have been devoted to media systems but there is no general agreement about what is meant by the term "media system". However, to borrow McQuail's (2000: 191-210) term, it can be defined as 'the actual set of mass media in a given national society'. According to him, it is formulated and reshaped by the historical growth of successive new technologies and the adaption process by existing media operators. Using this concept, it can be argued that a single medium or a particular industry is constructed, operates within and has an effect on a geographic or social boundary. Indeed, this feature was identified in the earlier study by Siebert et al. (1963: 1), who claimed that 'the press always takes on the form and coloration of the social and political structures within which it operates'.

Nevertheless, through the last half of the twentieth century, two philosophically distinct media market model emerged: the "market or corporate model" and the "PSB" forged by the European nations (see Table 1.1). The former favours commercial interests and it is characterised by freedom of expression and by less regulation. Based on free market principles and rooted in the US, the corporate model constitutes broadcasting organisations through private companies (Iosifidis, 2007: 5-8). In stark contrast, the PSB model refers to a media system independent from government and commercial pressure, and solely serving the public interest. According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO), PSB can be defined as follows:

Public Service Broadcasting is broadcasting made, financed and controlled by the public, for the public. It is neither commercial nor state-owned, free from political interference and pressure from commercial forces. Through PSB, citizens are informed, educated and also entertained. When guaranteed with pluralism, programming diversity, editorial independence, appropriate funding, accountability and transparency, public service broadcasting can serve as a cornerstone of democracy.

As UNESCO, as an international organisation defines it, PSB is unarguably one of the most important institutions in a democratic society. BBC is perhaps the most symbolic example of the PSB model attempting to distance itself from market-driven broadcasters. From its foundation in the 1920s, it has evolved as one of the key organisations in British society. Curran (2002: 245) described PSB as where ‘people come together to engage in a reciprocal debate about the management of society’. According to him, the democratic media system consists of a core sector and four peripheral media sectors: the civil sector, the professional sector, the social market sector and the private sector.³ Among them, PSB is a core sector in a nation’s media system by serving the public interest.

Table 1.1 The summary of contrasting media models

	Market model	Public model
How are media conceptualised?	Private companies selling products	Public sources serving the public
What is the primary purpose of the media?	Generates profits for owners and stakeholders	Promotes active citizenship via information, education and social integration
How are audiences addressed?	As consumers	As citizens
What are the media encouraging people to do?	Enjoy themselves, view adverts and buy products	Learn about their world and be active citizens
What is in the public interest?	Whatever is popular	Diverse, substantive and innovative content, even if not always popular
How is regulation perceived?	Mostly seen as interfering with market processes	Useful tool in protecting the public interest
To whom are the media ultimately accountable?	Owners and shareholders	The public and government representatives
How is success measured?	Profits	Serving the public interests

Source: adapted Croteau and Hoynes (2006: 39).

In this phase, we look at the public interest because the concept is commonly addressed in policy goals. In fact, the public interest is broad and loosely constructed, despite a volume of study. By far the most influential discipline used to explain the public interest

³ While civil media sectors support the activities of civil organisations, social media sectors aim to promote market diversity and enhanced consumer choice. The professional media sectors are organised with a guarantee of freedom and the minimum of constraints, while the private sector responds to the consumer with minimal regulation in principle. However, the latter sector is subject to a regulatory regime to prevent it from restraining the activities of the media system (Curran, 2002: 240-6).

is the notion of the public sphere, elaborated by Habermas. In his book, *The Structural Transformation of the Public Sphere* (1989), Habermas asserted that the public sphere is normative ideas for realization of democracy where private individuals come to for dialogue. In other words, the public sphere is a forum where public opinion is formed in an area that is independent of government and partisan economic forces, providing rational debate accessed by all citizens (Webster, 2006a: 163-4). In terms of media and communication, this notion, together with the public interest, has been one of the central issues of media policy and justification for the public broadcaster. In this thesis, public interest means the political, social and economic desired policy goals such as pluralism, diversity and universal service in the media market.

In Korea, to some extent, the media system corresponds to the PSB model. The Commission for the Development of Public Service Broadcasting (CDPSB) (1993: 4), the first commission to review public broadcasters after the political democracy in 1987, depicted the Korean media system as being a public model. The report concluded that terrestrial broadcasters, both commercial and public, only served the public interest, while the incoming pay TV platforms, both cable TV and DBS, worked for commercial interest. It is understood that the early media structure and lessons characterised by state-control and commercial competition under authoritarian regimes encourage the nation to adopt the public service model. In short, we identified two contrasting media models of which Korea adopted the public service model. In conjunction with this section, the following section will review existing study on the subject and the scope of the thesis.

1.3 Reviewing the study of the media market and politics

1.3.1 Literature on the media development and politics

Media developments and its political context have drawn much scholarly attention (see Axford and Huggins, 2001; Becker, 2004; Curran and Park, 2000; Hallin and Mancini, 2004; Siebert et al., 1963). While carrying out their work, studies have attempted to investigate the relationship between political systems and the media development. Despite failing to reach a common conclusion, two features are notable. The first feature is that the bulk of the academic literature has been produced by examining media systems in different countries in order to identify patterns, employing a comparative

approach. The second feature is that the majority of studies mainly focus on the media system in Western countries, while little is conducted on the rest of the world. Although the subjects of the scholarly works are divided, these studies provide an underlying theme for exploring the media system in Korea.

Historically, the landmark study in the discussion of media systems is *Four Theories of the Press* by Siebert et al. (1963). Focusing on the press sector during the Cold War, the authors suggest four media models, namely: authoritarian, libertarian, Soviet Communist and the social responsibility models.⁴ However, due to idealistic typology and the collapse of Communism, it has subsequently been the subject of criticism (Merrill, 2002; Nerone, 1995). Nevertheless, their contribution is still substantial in political and economic studies, in that it pioneers the work of investigating the relationship between the politics and the media system. Scholars have also attempted to identify new models to determine patterns, including the study by Wiio (1977). Focussing on developing nations, the former concludes that these countries opt for the systems of Western nations as their final goal. Meanwhile, the latter argues that the audience role is differently formulated in different political systems.

However, in recent years no studies have drawn attention to this area of research other than the work of Hallin and Mancini (2004). Entitled 'Comparing Media Systems', this work they identifies three different media models: the polarized pluralist model, the democratic corporatist model and the liberal model. This is in comparison with the study by Siebert et al., which focuses on political systems, with the study being based on four dimensions: press circulation, political parallelism, journalistic professionalism and state intervention. Firstly, in the polarized pluralist model, the state has a strong authority and the media is integrated into politics. This model is identified as being developed in the relatively late stages of capitalist, industrialised and democratic traditions. Secondly, the democratic corporatist model is characterised by a strong

⁴ According to the study, the communist model is a variant of the authoritarian model, while there are distinctive differences between the authoritarian and the libertarian model. In the authoritarian model, the press activities are strictly controlled by repressive regimes but the communist type monopolises the media. For them, the libertarian mode is defined by freedom of the press, as opposed to state intervention, typified by the case of the US and the UK. On the other hand, the social responsibility model is characterised in this way: 'a government must not merely allow freedom; it must actively promote it...When necessary, therefore, the government should act to protect the freedom of its citizens' (1956: 95).

commitment to media freedom and autonomy. In this model, the state has some influence and coexists with the commercial and politicised media. Lastly, in the liberal model, in which market mechanisms predominate, the role of the state is relatively limited. Unlike the previous studies, a contribution of Hallin and Mancini's study is that it identified how media systems interact with outside agents as well as with media components, instead of simply being a passive agent. However, their argument concentrates purely on news media and how news and information are used to formulate political opinion. Additionally, as other studies (McQuail, 2005; Remington, 2006) argue, it neglects the individual characteristics of different nations, including country size and regionalism.

So far, we have reviewed several studies on media systems in a political context. Despite there being a considerable amount of study from the Cold War to the twenty-first century, we have still identified some limitations in the existing studies. Firstly, the existing studies focus on an over-simplification of the media system in order to find typology and implications such as the work by Hallin and Mancini (2004). However, as any classification involves a trade-off between the reality and a complicated system, the typology of media systems requires an abstraction, in which results may be misleading. Additionally, the classification process ignores the characteristics of individual nations affected by different cultural backgrounds.

Secondly, these studies only focus on domestic factors, without adequately addressing the external factors, which also significantly affect the media market. For instance, in the formulation of global society, or, at least, what Giddens (1990) called global capitalism, it is inevitable that a nation's media system is linked with international forces. In this sense, McChesney and Nichols' argument (2002: 83), which states that it is 'more appropriate to regard the media as a global system with national variants' is feasible. In fact, the media system operated exclusively at a national level at the beginning of the last century, but it should be understood that it has also gained a supra-national perspective since the 1980s.

The third criticism is that, in most cases, studies have concentrated on Western nations. Yet, there are significantly different characteristics found in Third World and Asian

countries, which have undergone distinct political experiences and have only recently achieved industrialisation and democratisation. In this sense the work by Curran and Park (2000), entitled 'De-Westernizing Media Systems', attracted attention because it concentrated on non-Western countries. According to the authors, the national media system can be classified by either political systems (authoritarian and democratic) or economic systems (neoliberal and regulated). In addition, they propose an extra category, called 'transitional or mixed societies', in which the countries are in the process of being transformed or have mixed regimes. Although the study attempts at a new approach, concentrating on non-Western nations, it has not escaped criticism for its simple classifications.

Lastly, but most importantly, previous work overemphasises political force, ignoring other elements. Indeed, the political framework is a significant force in the development of media but it cannot adequately address the shift of media transition because the current media system is clearly affected by economic and technological factors as well. For instance, Winfield and Peng's study (2005) finds a Chinese media system where the media is still considerably under the control of an authoritarian state and socio-economic forces have been the main trigger to the changes in its media system. Consequently, media systems and their shift are understood through not only political, but also economic, social and technological dimensions such as globalisation and digital transition.

Building on the discussion above, we can narrow the scope of the thesis. Firstly, this study is a nation-level case study rather than a comparative one, concentrating on the case of Korea. Secondly, in examining the Korean media market, the thesis looks at it not only from a political perspective but also from an economic, social and technological perspective. Thirdly, the study assumes that the media system in a nation is affected by global trends with increasingly global connections and global capitalism. Accordingly, the media market in a country is a battlefield not only for local corporations, but global media corporations as well.

1.3.2 The motivation for the research

The thesis was inspired by some motivations. Firstly, researchers have so far paid scant attention to media development under the neoliberal government in Korea. Study subjects such as Information and Communication technology (ICT) development and policy (see Frieden, 2005; ITU, 2003a; OECD, 2007a) and the emerging cultural centre to the counter-argument for cultural imperialism (see Tunstall, 2007; Flew, 2007) have drawn scholars' interests.⁵ However, at least in 2007 when work began on this thesis, very few attempts⁶ had been made to study this, largely because the neoliberal government was still in office until 2008. In fact, the absence of sufficient studies on the subject during an unprecedented political term encouraged me to embark on the thesis.

Secondly, existing studies into pay TV platforms have too focussed on a certain period in the neoliberal government. Adopting a micro-level approach, the studies have concerned themselves with individual firms, or a specified period, such as one or two years of the neoliberal government (see Bae and Baldwin, 1998; Cho, 2003; Lee, 2008; Nam, 2008; Park and McDowell, 2005; Sohn, 2000). Instead, the subject of this study is the whole of the neoliberal government employing a broader context, like the work of Goodwin (1998) and Freedman (2000). The former explored the reshaping of the British TV market under the Conservative rule, while the latter studied TV policy under the Labour government. In fact, this macro perspective on the pay TV market has not received nearly as much as interest as it deserves. This thesis employs both macro and micro perspectives in examining the development of pay TV platform and politics.

Third, the motivation for this thesis springs from the question of state sovereignty. Much has been written about the shift in the government's role in a changing media environment (see Dahlgren, 2000; Hamelink, 1995; Hjarvard and Tufte, 1998; Murdock and Golding, 1999; Preston and Kerr, 2001; Schlesinger, 2009). The contesting arguments are whether the government's power is sustained or eclipsed in a liberalised and globalised marketplace. One argument is that the nation's role has "finished"

⁵ This will be discussed in more detail in Chapter 3.

⁶ For instance, a member of the National Assembly attempted to evaluate the performance of the media sector but the study was unpublished because he failed to be re-elected in the General Election of 2008. However, I obtained the unpublished report in 2008 when I was conducting fieldwork. In the early stages of this thesis, the report provided an analytic framework for this study.

(Holton, 1998) or has reached “the end” (Kenichi, 1995). According to this line of thought, the sovereign in the state is “losing control” over media markets in the face of global capitalism and international forces. By contrast, the counter-argument (see Curran and Park, 2000; Iosifidis, 2011) is that the state still holds a central position within the changing media system. This school of thought argues that it is premature to declare the demise of government, despite its tendency towards decline. This thesis argues for the upholding of the government’s role, via media policy and regulation, amidst the spread of global capitalism and new technology. Nevertheless, the question remains of how media policy forms a sustainable and effective response to a changing media environment.

Last but not least, personal observations increasingly encouraged me to conduct this thesis. Working in a media regulatory institution⁷ has inspired me to make a study of media policy and its embedded industries. Observing and often participating in the policy-making process as well as witnessing pay TV platforms and the rising disputes among stakeholders inspired me to embark on the thesis subject. To summarise, this section has discussed some of the major studies on media systems and has defined the scope of the study.

1.4 The construction of the media system and research questions

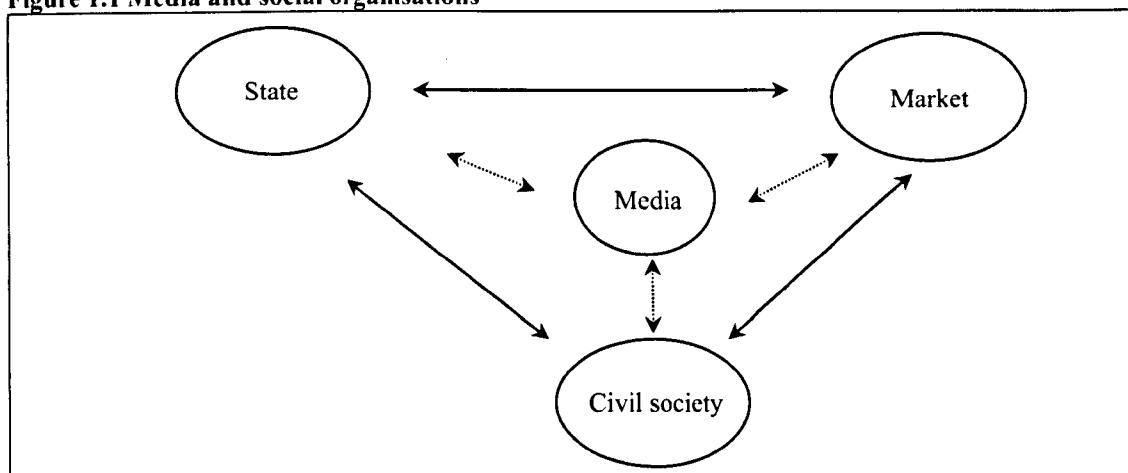
1.4.1 The media system in the social context

This section designs the research and presents the core research questions. This thesis considers the media structure as subsystems in a society. In other words, it assumes media systems are understood as being social institutions in which the state, the market and civil society interact with contesting interests. A media system does not emerge autonomously but is purposely created and developed by a combination of political, social, political and technological factors (Freedman, 2008: 1). However, scholars adopt different approaches in order to analyse the media market and its interaction. A prevailing philosophy is technological determinism where technology is seen as the most important factor in social change and the media market (see McLuhan, 1964;

⁷ I have worked for the following media regulatory institutions: the Korean Cable TV Communication Commission (1994-2000), the Korean Broadcasting Commission (2000-2008) and the Korea Communications Commission (2008-Present). Each organisation is addressed in chapters when the relevant pay TV operators are discussed in the thesis.

Braman, 2004a; Garnham, 2000). In Korea, since the 1990s, technological determinism has been the prevailing notion when discussing pay TV platforms. For instance, when pay TV platforms were publicly debated, proponents of technology determinism were hailed the new platforms with praise, calling them a “printing money platform”, not just by public organisations but also by the academic circles, presenting rosy visions. Hence, contrary to technological determinism, this thesis assumes that technology is only one of the elements that change the media system and is both an independent and dependent variable in the media market.

Figure 1.1 Media and social organisations



Source: Hamelink and Nordenstreng (2007).

More concisely, it assumes that a media organisation of a nation lies at the centre of three overlapping pillars: the state, the market and the civil society (see Figure 1.1). Originally, the creation of media was surrounded by the state and market, but it is closely linked to empowering civil society in a modern society (Hamelink and Nordenstreng, 2007: 225-7). Indeed, as an important social institution, the media organisation continually interacts between the government, the market and civil society, reinforcing and transforming its structure. In order to understand the concept, we will break down the three key components for further discussion.

Firstly, the government is the primary pillar in constructing the media market. Traditionally, the national government, through media policy, has been the key element in regulating and determining media activities, whether in a democratic or non-democratic system. However, as discussed earlier, global forces, such as global organisations or new forces, inevitably directly or indirectly impact national media

policy (see Chakravartty and Sarikakis, 2006; Siochrú et al., 2002; Thussu, 2000; Wheeler, 2004; and Chapter 4). An example can be seen in the 'Television without Frontiers' (TWF) Directive in Europe, renamed 'Audiovisual Media Services Directive' in 2007 (AVMSD), which was set up to harmonise and coordinate media policy in the European Union (EU) Member States. Nevertheless, established international organisations are poised for tension and conflict against media policies initiated by the nation. Accordingly, it is argued that media policy must be examined not only at a national level (internal) but also at an international level (external), in order to adequately address the media market on a national level.

The second pillar is the notion of the capital market. Together with the state, the media is closely linked with the market or economic character (Hamelink and Nordenstreng, 2007: 226). Conventionally, quality programmings produced by broadcasters were cultural enrichment opportunities for viewers. Especially, non-commercial broadcasters were conceived as social vehicles to deliver programming that would help cultural identity in a nation. However, media products have become commodities in the transnational marketplace under market-driven forces and liberal policies. In this trend, Curran and Seaton (2003: 393) state:

The world is...in a way that makes media competitiveness a key objective of communications policy. The media are part of the rapidly growing information and knowledge economy... However, home-grown media are also exposed to fierce international competition as a consequence of a globalisation of the media economy.

As scholars have argued, the media market has become a place for competition between local, regional and global corporations. In the process, as Herman and McChesney (1997) argued, the national media market is characterised by the interplay between global and domestic corporations. However, policy-makers are pressured to take measures against global forces and transnational channels under contrasting political interests.

The last pillar relevant to media organisations is that of civil society. Civil society has been articulate in Western politics since the eighteen century, expressing dissatisfaction with bureaucratic solutions and rising social problems. In Asia, by contrast, in recent decades one can witness the emergence of civil society during protests against authoritarian regimes and broadening involvement in public policy-making process (Flew,

2003; Lee, 2001). According to Habermas (1996: 367) civil society is defined as being 'composed of those more or less spontaneously emergent associations, organisation, and movement' that are attuned to societal problems.⁸ Within this concept, civil society is seen as a non-state private institution, neither owned by the state nor a private-owned economic organisation. In other words, it can be seen as a core social space, distant from the political, economic and private sectors, achieving a shared interest needed in a healthy democracy.

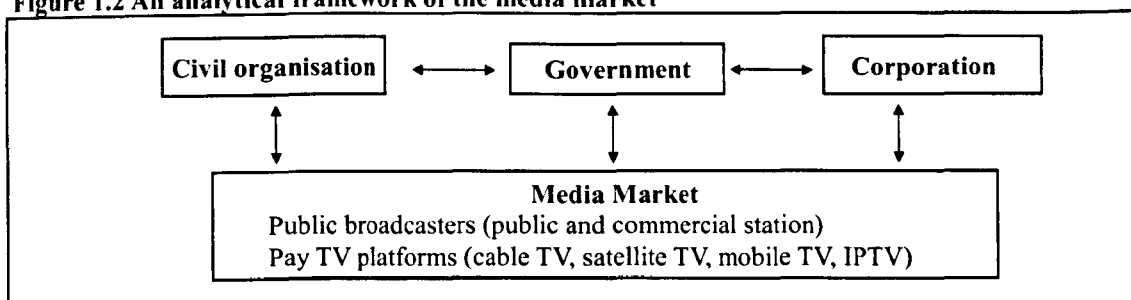
The development of the civil society in Korea corresponds with the democratisation process. In Korea, the grass-roots civil society emerged from the 1980s onwards (Armstrong, 2007: 24). Political democratisation facilitated the development of non-governmental organisations (NGOs) in Korea. In particular, during the neoliberal government, civil society emerged as a significant social element in the structural adjustment process. As Kwak (2003: 239) argues, civil organisations are perceived as the 'fifth estate after the press' in Korean society. Indeed, empowered civil society constituted an alternative media, developed in order to mobilise people and to allow their voices to be heard. An example of their strength is the establishment of their own broadcasters. The civil organisations created their own channel, called *Simin Broadcasting*, representing their voices in opposition to established broadcasters (Kim, 2005). Korean Broadcasting Commission (KBC), the regulator authority in the neoliberal government, nominated it as a public channel, which meant that pay TV platforms had to carry the channel under the must-carry clause. Civil organisations were also prominent in the organisation of public broadcasters. Kim (2010), a media scholar serving as the Chairman of the board of Munha Broadcasting Corporation (MBC), once argued that "the broadcaster [MBC] was being run by trade unions instead of management". Moreover, as seen in the case of OhmyNews founded in 2002, as the origin of citizen journalism, citizens whose voices were heard on online news played a decisive role in the election of President Ro Mu-Hun (see Kim and Hamilton, 2006). In short, the above discussion shows at least that the government, the capital market and civil organisations are obvious elements to be examined when researching pay TV development and media policy in Korea.

⁸ According to Thompson (1995: 119-48), this is called 'intermediated organisation', existing between the private and public domain.

1.4.2 The research design and research questions

Based on the previous discussions, a research framework and research questions can now be developed. Figure 1.2 represents the analytical framework, which has been developed in order to better understand the complexity of the media market. It assumes that the government together with civil organisations and corporations, influences the media market. In addition, the media market is divided into two categories, public broadcasters and commercial operators, to borrow Curran's (2003) classification. More specifically, it assumes that the media structure consists of incumbent public broadcasters and pay TV platforms.

Figure 1.2 An analytical framework of the media market



Source: Author's analysis.

By examining media developments under the neoliberal government, this thesis seeks to answer at least three research questions, each with a sub-question.

- 1) Has the media market been transformed by the introduction of pay TV platforms?
 - Were the desired goals of pay TV platforms attained?
- 2) In the process, what were the roles of the government, civil organisations and corporations?
 - Did the government implement a coherent policy?
- 3) Are public broadcasters marginalised or reinvented?
 - What was the relationship between public broadcasters and pay TV platforms?

This thesis firstly attempts to answer how the media market has shifted with the advent of the pay TV platform. In addition, it attempts to answer the question of how the media market is affected by the political, economic and technological changes and how media operators respond to these forces. In the process, questions will be asked as to how and why the Korean government initiated the development of pay TV, together with whether the setup goals were achieved. A comprehensive literature review will be explored and documented in order to answer this question. The second question covers the roles of

media organisations in the introduction of pay TV platforms. A comparison of their role change between the previous governments and the neoliberal government will be conducted. In doing this, this thesis examines a critical problem of media policy, that of coordinating growing competing interests and the response of stakeholders. To address the question, this thesis will mainly use official documents such as statistic data published by the regulatory authority. Additionally, it will conduct interviews with people who worked in the media market, which will provide both official and unofficial information on media policy. In answering the above two questions, I will argue that the government still has considerable power in the media market. The final question asks whether the influence of the public broadcaster is in decline or sustained with the introduction of pay TV platforms, focusing on the public broadcaster's reaction to new entrants. With respect to this question, the thesis argues that public broadcasters still maintain their influence, despite the advent of a variety of pay TV platforms. As will be seen below, this study adopts a multi-approach to answer the research questions established above.

1.5 Overarching principles: media policy and political economy

1.5.1 The study of media policy

The thesis employs media policy and political economy as research disciplines. As the media market has become an increasingly complicated structure, media theory alone is not sufficient to answer the research questions (Papathanassopoulos, 2011: 3-4). At the very least, a combined study can compensate for each study's drawback and provide a useful framework in which to research the development of pay TV platforms and politics. The study of media policy will form the starting point for this review. Media policy study has been selected as a main research theory because policy is a significant agent in the media market.⁹ There are a variety of communication policies perceived by different concepts, but they can be classified into three regulatory regimes (Pool, 1983). These are the press media, which emphasises self regulation and freedom of expression; telecommunications, in which policy goal is the development of efficient communication and universal principle; and broadcasting policy, where the sectors has conventionally been strictly regulated but has experienced a rapid shift as a result of

⁹ According to McChesney (2003: 23), the media system is 'directly and indirectly the result of explicit public policies'.

socio-political changes and the ICT revolution (see also Wheeler, 1997). Of these three regimes, the current work focuses on broadcasting policy or, as it is also called, media policy.¹⁰ Media policy has drawn a volume of works on the subject but defining policy studies is not easy (see, Dyson and Humphreys, 1988; Feintuck and Varney, 2006; Gripsrud and Moe, 2010; Hutchison, 1999; Humphreys, 1996). However, according to Raboy (2007: 344), media policy means ‘all efforts to influence media, including not only state but non-governmental initiatives as well’, while policy refers to conscious (public) projects for achieving goals.

However, the criticism against existing media policy studies must be acknowledged. The majority of studies are preoccupied with ‘administrative questions’, neglecting the ‘political values’ on which media policy is constructed (Freedman, 2008: 1). In other words, media policy study is too focussed on the actions of government in the media system, limiting its scope in formal organisations and statutory tools. In the same vein, as Braman (2004b: 169) observes, the value based aspects in media policy, such as the informal and policy-making processes in which policy is constructed, have drawn little attention. In this context, the inevitable element in media policy includes the involvement of government (or public organisations), business interests and civil organisations. In addition, it can be seen that policy-making processes are the consequences of compromise among embedded parties, with competing interests to achieving their goals, rather than down to a single agent’s influence. Accordingly, one cannot adequately address media policy and influence without addressing the informal processes and policy-making processes, although public institutions are decisive agents in media policy-making.

Growing concerns over media policy

With regard to media policy, some important aspects must be examined before moving on to the next subject. First, the media policy paradigm is subject to shifts in line with the changing media ecology. In a study by Cuilenburg and McQuail (2003), media policy is shown as having evolved in three consecutive phases: firstly, the phase of an

¹⁰ Some studies use “communication policy” in a broader meaning including both conventional media policy and telecommunication policy driven by the convergence phenomenon.

emerging communication industry policy right up to until the Second World War; secondly, the paradigm of the public service media policy from 1945 to 1980; and thirdly, a new communication policy paradigm since the 1990s. Although their work is based on the US and EU, the thesis's research period is in response to the third phase. According to the study, in the first phase, media policy is pursued to achieve state interest and financial corporate benefits. In the second phase, media policy was dominated by sociopolitical forces driven by democracy rather than economic or national strategic concerns. Meanwhile, in the third phase, media policy aims towards political, social and economic welfare facilitated by economic and technological justification.

Policy goals in Korea have been substituted by the shifting media landscape (see Table 1.2). By the 1980s, one of the government priorities was to improve TV reception in the state-controlled media system. However, since the 1990s, priority has been placed on the establishment of a competitive structure by implementing liberal policies. In this context, it is noteworthy to look at competition in media policy. In Korea, the term 'competition' arose from one of the key media policy agendas in the neoliberal government. Competition, as Napoli (2001) defines, is 'business activities for maximizing profit, determined by the number of businesses that make homogeneous products, an individual business' share of the total industry'. The term was rarely used regarding the media industry before the early 1990s, with some exceptions. Owing to the authoritarian regimes in power until the 1980s, a commonly selected subject for scholarly interest was that of democratisation and the media, such as 'freedom of the press' and 'independence', as we will see elsewhere. However, as the media market evolved into a competitive structure, with the advent of commercial operators, the term 'competition' after '(political) independence' has become a significant policy topic since the 1990s¹¹. Shortly, it is necessary to keep in mind that 'competition' rather than monopoly by a certain platform, was a significant policy objective in the neoliberal government.

11 According to a study by Buek et al. (2007), the term 'competition' after 'political independence' were policy priority in the Korean National Assembly's Culture and Tourism Committee. The study was comprised of four terms of the National Assembly, each for a term of four years between 1991 and 2004.

Table 1.2 The media policy shift in Korea

	1980s	1990s	2000s
Structure	Public monopoly	Dual system	Competitive structure
Policy goals	Overcoming poor reception	Market mechanism	Competition
Policies	Effective transmission of broadcasting signal	Cable TV introduction Plan to launch DBS	Revising Broadcasting Law The launch of new services

Source: adapted from Media and Future Institution (2005: 206).

Coming back to the debate on media policy, it should be added that existing regulatory regimes are under threat. More concisely, a new media landscape persistently challenges policy-makers whose role is that of an agent to maintain a socially desired structure. For instance, convergence, the blurring of the conventional boundaries between computers, telecoms and broadcasting, has forced policy-makers to respond and review the existing regulatory system (see Collins, 2002; Dijk, 1999; European Commission, 1997; Iosifidis, 2011). However, the challenges of media policy are rooted in a widening gap between media policy and new technology. As Dijk (1999: 115) claimed, ‘the law and justice have lagged behind new technology’ (see also Albarran, 2010; Dahlgren, 2009; Hamelink, 1995; Hjarvard and Tufte, 1998; Murdock and Golding, 1999; Noll, 2007). Indeed, policy-makers are forced to respond to new technologies in a timely manner, all the while maintaining a coherent policy and coordinating rival interests in stakeholders in the shifting media structure. In this context, the researcher calls this the “crisis of media policy” in the advent of new TV outlets. The thesis illustrates how inconsistent and uncoordinated media policy significantly affects the creation and expansion of the pay TV platforms.

Lastly, the policy-making process has not always been smooth. Media policy-making involves a large number of interested actors. More specifically, it is made up of the media industry, the national political system (the parliament and the government), ministries, inter-department institutions, political parties, organisations specifically related to the media, trade unions, transnational actors and local and regional actors (Siune and Rolland, 1986).¹² The participation of stakeholders and the levels at which they participate depend on the policy subject but the process has shifted to become more

¹² Freedman (2008) argues that there are two contesting actors in the policy-making process: insiders (regulators, civil servants, politicians and major media business interests) and outsiders (other lobbyists, think-tanks, academics, public interest advocates). Moreover, it is composed of three different levels of conflict, between government departments, within regulators and between rival commercial interests.

complicated with the appearance of new interested parties. In the studies undertaken by the Euromedia Research Group, Siune and Rolland (1986: 15) had already observed that policy-making can be seen as a 'reaction to a challenge, a reaction that is intended to find a reasonable balance between forces of change and forces of preservation'. In the same vein, a more recent study by Papathanassopoulos and Negrin (2010: 5) identifies that policy is the government's approach to problem-solving and discussion. Indeed, an obvious feature in policy-making is the extent of the conflict between embedded stakeholders. Accordingly, for policy-makers (government or regulator) are inevitably responsible for controlling or coordinating contesting interests in order to preserve a competitive media market.

However, media policy-making is subject to pressure. In theory, democratic media policy-making is conducted in scientific and accountable circumstances. Following this logic, new technology, such as streamed online content and dedicated website services, has introduced procedures into policy-making in order to listen to a range of voices. However, in practice, the reverse is true because it is a deterioration of transparency and public participation (McChesney, 2004: 48). In other words, in theory, media policy is decided by compromises between contesting stakeholders, but in truth, major stakeholders are often marginalized. In short, this section reviews the work of media policy, concentrating on the characteristics of the media policy. The evidence gives insight into how to examine the development of pay TV platforms in Korea, and the following section will review the school of political economy related to this subject.

1.5.2 The study of political economy

The theory of political economy has been a commonly selected approach to examine media studies. However, the theory was overshadowed by competing disciplines by the end of the last century. Nevertheless, as adopted by scholars such as Hallin and Mancini (2004) and McChesney (2004), the study is employed to examine the media market and its transformation (see, Lo and Wei, 2010; Winsect and Jin, 2011). A prevailing subject within the political economy study is the development of new media and social context, focusing on underlying problems in the media market. Admittedly, the study has been

widely recognised across the Atlantic since the last half of the twentieth century.¹³ The core work on the subject includes 'For a Political Economy of Mass media' (1973), "Capitalism, Communication, and Class Relations" (1979), both by Murdock and Golding, and "Contribution to a Political Economy of Mass Communication" (Garnham, 1979). Through these studies, the authors call for a scholarly interest in mass media and cultural practice. Scholars such as Murdock and Golding (1973) argue that the study of mass media is largely unexamined, despite the fact that the media plays a key role in our consciousness and is a major source of information.

Political economy, historically, has captured scholars' interest both from the Left and in academic circles, with the increasing concern about the expansion of capitalism and discomfort about power interests (McChesney, 2000: 112-3). Marxian and critical studies provide the main inspiration for political economic theory but it rejects a left-orientated approach.¹⁴ Despite a broad range of studies under the heading of political economy of media, its nature varies considerably. Perhaps the most detailed explanation is that in Vincent Mosco's work, 'The Political Economy of Communication' (1996). According to him, the study of political economy is "the study of the social relations, particularly the power relations, which mutually constitute the production, distribution, and consumption of resource". In this interpretation, it addresses the relationship between the media and communication systems under a broader social context. From this view, for political economists, the media organisation is considered as a part of the economic structure, rather than being thought of as ideological, as in earlier schools. More specifically, the study looks at government policies influencing the behaviour of media organisations, technology and media systems as well as ownership and mechanisms (McChesney, 2004: 43). Media policy study deals with the impact of

13 Scholars such as Dallas Smyth, Herbert Schiller, continued by McChesney and Mosco, pioneered the foundation of political economy in North America. Meanwhile, Graham Murdock and Peter Golding, in line with James Curran and Nicholas Garnham, made significant contributions to the foundation of the study of political economy in the UK.

14 For decades, cultural studies' approaches to the media have drawn scholars' attention, criticising political economy principles. Both studies work within a broadly neo-Marxist scope, and distant from the liberal pluralist tradition, in order to understand media transition. As discussed by scholars such as Fiske (1987) and Morley (1980), it is particularly concerned with the question of how cultural power or cultural forms are produced, distributed and interpreted through technical devices. Cultural studies scholars argue that political economists are primarily concerned with the economic and the production process in the media under a simplistic notation of ideology (Wasko, 2004). Accordingly, they charge the study with generally neglecting text, discourse, audience and consumption together with ignorance of audience power. In this context, cultural studies are interested in media "text" and, within that, process and "meaning" are variable and depend on the audience context.

government policy on the media market, presupposing the existence of the media market and the social institution. However, the political economy is also concerned with the dynamics of capitalism and power change in social components, which was ignored in media policy study.

Furthermore, by examining the leading scholars' arguments, we can identify the key argument and characteristics of the theory. According to Golding and Murdock (2005: 61-6), the school distinguishes mainstream academic practice into four aspects. Firstly, the political economy approaches to the media are holistic where, by contrast, mainstream economics sees itself as a separate domain. It considers the economy as an interconnection between political, social and cultural life in a media sphere. The study of mass media is seen as a grand, multi-disciplinary approach in the wider perspective of social forces (Murdock and Golding, 1979). Secondly, it has an historical perspective.¹⁵ According to scholars, the change in economic formation and the system of rules is a short-term shift, which Golding and Murdock (2005: 64) refer to as 'slow but perceptible rhythms'. In this context, the change in media systems in a nation is the result of a contested history of interplay between trade unions, industrial organisations, consumer groups and civil society.

Thirdly, the study pays close attention to the changes between capitalist enterprises and public intervention. In contrast with classical political economy, arguing for the minimisation of public intervention and role of market forces, political economists claim that an unregulated market cannot secure social goals and satisfy the wishes of the customer (Baker, 2007). For them, the market system is inherently inclined to distortion and inequalities. Accordingly, the commercially-orientated media market should be controlled by public intervention through media policy or regulatory regimes. In this context, this thesis looks at the changes in relation to commercial broadcasters and media policy over time.

Finally, the study of political economy goes 'beyond technical issues of efficiency to

¹⁵ The authors identify key historic processes as being the focus of political economy of media: the growth of the media' the extension of corporate control of the media, the growing commodification of media forms by the extension of corporations, the universalisation of citizenship and the shift of government intervention in the media market.

engage with basic moral question of justice, equity and the public good' (Murdock and Golding, 2005: 61). According to scholars (2000: 77), a 'communication system as a culture space that is open, diverse and accessible' also provides a yardstick to measure 'the performance of existing system and formulates alternatives'. Political economists have contributed to an understanding of new media together with traditional media, as opposed to exclusively considering technology determinism. For them, the growth of new media and rising concerns, such as concentration, are understood in the perspective of the transition of capitalism, particularly the power shift between old and new media (Mosco, 2009: 119-124). Accordingly, it is inevitable that the media system in a nation is linked to global capitalism and international governance systems due to technological innovation and globalisation.

In short, the study of political economy has provided a framework to better understand media studies. The approach is principally interested in the rising "problem" of the media market under capitalism and its social interaction with the political and economic structure. This discipline involves extending the macro-level approach, together with a historical perspective, over the media industry. Accordingly, it can compensate for some of the drawbacks in media policy studies, with which it is concerned, along with the relatively micro-level approach, such as the government and its stakeholders. By employing both studies, this thesis will effectively examine the transformation of the media industry in a competitive media environment.

1.6 Methodology and structure

1.6.1 Methodology

This thesis will use a qualitative case study adopting multiple methods. The case study employs descriptive and exploratory methods to understand social phenomena based on evidence (see Hartley, 2004; Yin, 2003). It will investigate 'a contemporary phenomenon in depth and within its real-life context' (Yin, 2009: 18). This thesis embraces triangulation to analyse the complexity of the media system and its interwoven aspects by using document data, observational experience and semi-structured interview. As pointed out in studies (Denzin, 1970; Erzberger and Kelle, 2003), no single method ever adequately addresses the problem of correlated factors.

Moreover, as Hansen et al. argue (1998: 68), the combination of research methods is inevitable in a communication policy study because complex forces come into play when policies are being made. Thus, the use of multiple sources of evidence allows us to address a broad range of media policy.

Documents as a main source of data collection

The primary sources of data in the study are official documents. Documents refer to 'things that we can read and that relate to some aspect of the social world' (Macdonald, 2008). In fact, the document is one of the major sources for understanding real life situations. Official records, particularly, are an extremely valuable resource because they are produced within social institutions as an objective statement for the public domain. However, it is important to acknowledge that there are limitations in document analysis because a document does not 'consist of descriptions of the social world that can be used directly as evidence about it' (Atkinson and Coffey, 1997: 60-61). Formal documents have been collected through fieldwork, on-line sources and an accumulation from when the researcher worked at the Korean Broadcasting Commission from 2000 to 2007. We widely reviewed academic articles, books and discussion of media development to explore the theoretical background. The documents from the media industry were collected mainly in three ways: through public organisations, both regulatory and government agencies, through private organisations and through reports produced by global organisations.

Firstly, official data from government departments and regulatory authorities is the main source for analysis of media policy and regulation. For instance, the publications by KBC, regulatory institution in the neoliberal government, are the primary source of information. Statistical data, such as that released by KBC, is a significant source for tracing the shift in policy and market change, as Webster (2011: 23) observed. Additionally, official data includes reports from, white papers, investigation reports and working reports released by regulatory organisations.

Secondly, another important source is the private sector. Documents issued by media corporations and private institutions have the advantage of capturing deeper and more

open-ended data including newspapers, press releases and trade magazines. On-line data bases¹⁶ and accumulated sources during fieldwork provide different pointers, which public information alone could not provide.

Thirdly, data released by international institutions is also incorporated into local data. International organisations, for example, OECD and the International Telecommunication Union (ITU) provide equally useful materials for identifying the global situation. Other documents from regulators and government departments, such as Ofcom, provide essential sources for this study. Although this thesis focuses on the situation in Korea, these documents corroborated by domestic data help overcome a bias that might have existed in a single case study. For instance, prior to examining each pay TV platform in Korea, the thesis was devoted to looking at the platform in the global perspective. However, it must be acknowledged that there were difficulties accessing some data, especially prior to the 1990s, due to a lack of databases, both on-line and off-line. In these circumstances, statistics and annual reports accumulated during employment at several regulatory institutions served to lessen the weakness.

Before moving on to the following section, the fieldwork for the thesis should be explained. To complete the thesis, three sets of fieldwork have been conducted, the first in March 2008, at the beginning of a five months' study. On this occasion, two details were established. Firstly, it was intended to identify an analytic research framework because of the complexity of the Korean media industry. To meet this goal, the subject was discussed with several experts and, finally, the general framework was set up. Secondly, after a few months of academic study, it was found that there was a lack of key information on Korean media studies, which meant that on-line data could not be obtained. The second set of fieldwork was conducted in June 2009 with the purpose of using a semi-structured interview, as will be seen below. In 2010, the final fieldwork was conducted to identify further data in order to conclude the research.

Semi-structured interview and observational experience

Together with the above document resources, this thesis adopts observational evidence

¹⁶ For instance, most newspaper articles in Korea are available through a database run by the Korean Press Foundation.

and the interview method. As Yin (2009) put it, items of observational evidence ‘add new dimensions for understanding either the context or the phenomenon’. In other words, work experience in the regulatory institutions allowed access to data and assisted in collecting further data, selecting interviewees and interpreting documents. Despite these benefits from observational experience, there is a risk of bias in this method. To ensure a lessening of the bias involved in observational experience, this thesis selects the semi-structured interview as another data source. Information acquired by interviews not only overcomes bias but also provides detailed information about the field.

Interviewing, as a data-gathering strategy in this thesis, is incorporated with other sources. It was carried out to explore themes that may have gone unseen or unreported in a simply theoretical study, and also to examine events needing future explanation, such as pay TV development. As scholars observed one of the most widely used data collection methods what the people think about something is interviewing (see Fontana and Frey, 2003; Gillham, 2005; Jensen, 2002). The study selects in-depth interviewing, which provides a ‘balance between structure and openness’ (Gillham, 2005: 79). Interviewees were chosen in a variety of areas within the media industry in an attempt to demonstrate as unbiased a voice as possible. They included journalists, officers in government and regulatory agencies, senior persons in media corporations and researchers in the academic field (a list of interviewees is included in Appendix 1). Work experience in the media sector enabled contact with former and current key figures who had been participants in media policy-making since the 1990s.

Table 1. 3 The classification of interviewees

Category	Division	Number
Government agency	Employers in regulatory body or civil servants in government	7
Media corporation	Journalists, researchers or employers	12
Politician	Staffs or researchers in the National Assembly	5
Media analysis	Researchers in the media and communication sector	3
Research institution	Academia or private researchers	9
Total		36

Source: author’s analysis.

However, problems confronted in an interviewing process, as Fontand and Frey (2003:

241) observe, are those of duration, structure and depth. In order to overcome these drawbacks in the interviews, pilot interviews were carried out in London and Cannes before conducting the majority of the interviews in Korea. The pilot interviews provided lessons on how to manage the time allowed and how to encourage the interviewees to think and say what they mean. On average, the interview lasted about an hour and began with discussions on how they became participants in the media policy-making process. More importantly, to lessen the constraints of an interview method, the abstract of the research and an outline of the interview questions were provided in advance, via email and telephone. Nevertheless, difficulties were encountered with time management and in the form of outspokenness in certain questions. In addition, as Kvale (1996) proposed, most interviewees asked for confidentiality and anonymity in giving critical opinions about media policy. In addition, the summarisation required of each interview was time consuming, but it provided in-depth information on the research topic. In summary, this study adopts a multi source data collection method. The majority of the data comes from documents, both from the public and private sector. Furthermore, to overcome the weaknesses in theoretical study, it also employs both in-depth interviews and observational experience. These corroborative methods give an insight into answering research questions on the historical development of pay TV.

1.6.2 Structure of the thesis

This thesis is divided into distinctive parts. Part I, up to Chapter 4, is devoted to a review of media development and politics as a background for the thesis. After defining the theoretical subject, Part II, from Chapters 5 to 8, will examine the case of pay TV platforms, focusing on Korea. As an introduction, Chapter 1 provides the background to the study: its rationale, research questions, research scope and methodology are presented. The following chapters decipher these issues in order to examine the transformation of the media market during the introduction of pay TV platforms. Chapter 2 traces media development in Korea up to the beginning of the neoliberal government. As media exists within the social organisation, it is almost impossible to adequately examine a current media system without addressing the historical developments in which the media structure is embedded. As a further background, this chapter addresses the socio-political and economic background of Korea, focussing on

media development and democracy. Key features in the global media environment are found in the theme of Chapter 3. By identifying the trends and critical debate with a global perspective, this chapter attempts to find implications in the case of Korea. The chapter considers main trends and tendencies: namely the discussion of globalisation and global media; the nature of the public broadcaster and its challenges; convergence and digital transition; and commercialisation. After reviewing the discussion of the international media market, in Chapter 4 we pull together many of these discussions to present an analytical framework. With this goal, the chapter addresses the nature of pay TV and media policy and related issues in the competitive media landscape.

Part II examines each pay TV platform from its creation and through its development during the neoliberal government. In each of the four cases, pay TV platforms require understanding from within a large interplay in the media market. The first two chapters, Chapters 5 and 6, explore the development of cable TV and satellite TV, respectively, which, to an extent, represent the analogue stage. Comparing the previous two chapters, Chapters 7 and 8 will respectively examine convergence media, namely mobile TV and IPTV. Finally, Chapter 9 provides the conclusion of this thesis and a postscript. The chapter identifies the main findings and their implications for further study.

Chapter 2 Media developments and democracy in Korea

2.1 Introduction

This chapter traces the evolution of the media system in connection with democracy. In particular, it examines the transformation of the broadcasting market, focusing on the shift of the government before the neoliberal government took office. As a scholar argues,¹⁷ the historical angle provides the necessary background for the proceeding discussion. In this context, the present chapter is followed by an examination of the shift in the global media environment in the Chapter 3. In doing so, it argues that the evolution of the media market is affected by the political regime of Korea.

Media developments in relations to democracy have drawn scholars' interests. Despite a volume of studies, the majority of studies have been one dimension such as focusing on the political aspect. Instead, this chapter explores the media development on four levels: political, social, economic and technological aspect. This work provides not only an explanation of the underlying structure of the Korean media market, but also gives a background to understanding the expansion of pay TV platforms in the neoliberal government. Current broadcasters in Korea are associated primarily with the post-war era. But until the late 1990s, the media market has underwent a turbulent transition. Perhaps, it can be illustrated by as changing form a state-controlled media system to market-driven structure in line with the shifting political power.

This chapter is divided into five sections. The beginning briefly outlines the political power shift in Korea, followed by media development pre-1998. The evolution of the Korean media market can be classified into four phases, namely the "authoritarian regime and state control" phase (1945-1980), the "comfort competition" phase (1980-1991), the "new dual system" (1991-1998) and the "market competition" phase (1998-2008). The chapter will embark on the characteristics of the ruling power and then examine the media development for each of these phases.

¹⁷ See Hallen and Mancini (2004: 12), who argue that 'at each step of the evolution past events and institutional patterns inherited from earlier periods influence the direction they take'.

2.2 From authoritarian regimes to democratic governments

It is commonly accepted that there is a strong connection between the media and democracy (see Baker 2007; Blumler, 1992; O'Neil, 1998; Herman and Chomsky, 1988). Authors share the conclusion that the media is a vital conduit in the democratic society, despite variations between countries. In this connection, Wheeler (1997: 5) observes three important aspects regarding the media and democratic society. Firstly, the public has a right to access information accompanied with the guarantee of their right to this information. Secondly, individuals are entitled to offer a variety of information, interpretation and public debate in order to express their own voices. Finally, they should, at the same time, recognise themselves within the range of representation, by means of communication. However, the notion has been disregarded for decades in Korea under authoritarian regimes. One school of study sees it as a period of "repressive media history". This account argues that the media steadily took shape against the suppression of regressive regimes and resistance. For instance, in 1994, a session of the International Association of Media and Communication Research in Seoul held entitles 'The Korean Press: A Half Century of Controls, Suppression and Intermittent Resistance'. In the same vein, Heo (2000: 620) claims that the background to the current media system is 'a consequence of the previous systematic suppression and control'. This view stresses that the current media system has been created by fighting against government intervention.

By contrast, some researchers claim that the relationship between government and the media organisation should be understood in terms of a "repression and conciliation approach". For them the relationship is characterised by what is called the 'carrot and stick' approach (Park et al., 2000: 111-123), in which the media has underwent 'continuous tension and compromises with political powers'. Similarly, Nam (2008) claims that the Korean media has moved away from one-way, governmental controlled system towards a more democratic approach. In this respect, the relationship, whether collusive or hostile, is dependent largely on political power. Nevertheless, the consensus is that the changing political regimes significantly influenced the media structure.

Modern Korea has undergone a broad array of political upheavals. The geopolitical

situation, described as a 'shrimp crushed among whales' (Lim, 2008: 139-66), of being located right between two superpowers Japan and China, as well as together being a divided country (South and North), has produced a turbulent history. In 2008, President Lee Myung-Bak concisely describes the nation's eventful past in his inaugural speech:

This year [2008] marks the 60th anniversary of the founding of the Republic of Korea. We fought for and regained our land [from Japan] that was taken from us and established our nation...As a result, our great nation achieved what no other nation ever achieved in history. In the shortest period of time, this nation achieved both industrialization and democratization. Never before seen in human history, we achieved all this with only our own fierce determination and sheer fortitude. This is how one of the poorest countries in the world has come to bid for its place among the ten largest economies in the world (President Lee Myung-Bak's inaugural address, February 2008).

Despite the variety of events that have shaped Korea, the contrasting arguments of "economic miracle" and "lack of democratic movement", are generally accepted concerns in Korea. Up until the economic crisis in 1997, its success of industrialisation and unprecedented economic growth led to Korea being described metaphorically as one of the 'Four Little Dragons' in Asia and 'Miracle of the Han River' (see Amsded, 1989; Minns, 2001; Tcha et al., 2003). Indeed, it was one of the poorest countries, showing less than US \$100 Gross National Product (GNP) in 1960, whereas by 2008, Korea had grown to be the eleventh largest economy in terms of GNP (Statistic Korea, 2008).

Nevertheless, Korea's economic performance has been diluted by a lack of democratic process. Evidence has been identified that strong government intervention has produced dark sides to Korea's "compressed development". This includes long standing military regimes and the concentration of the economy by conglomerates such as Samsung, LG and Hyundai (see Kim, 2003; Cummings, 2007; Lim, 2008). Following this period of strong government intervention, three civilian administrations have taken office (including two neoliberal governments) since the 1987 civil uprising, but democracy had still not matured. Borrowing Schedler's argument (2001), Korea enjoys what is called an 'electoral democracy' in which democracy has inclusive, clean and competitive elections but fails to sustain the political and civil freedoms essential for a liberal democracy. This can be attributed to the centralisation of political power, the denial of participants and the rule of the individual rather than the law.¹⁸

¹⁸ In this context, the *Economist* (2008) remarks that one problem is the President's power to 'do anything except change a man in to a woman and a woman in to a man', blaming the presidential

Table 2.1 summarises the government system under different presidents since the Second World War. Modern Korea has suffered under long-term authoritarian regimes until the establishment of a democratic government. It has experienced successive political events including the Korean War, unstable politics, cycles of military regimes, civil uprising and finally, the transition to a democratic government. During the dual transition for democratic consolidation and economic development, the media and press market¹⁹ lay at the centre of the upheaval, as will be examined below.

Table 2.1 History of Korean government (1945-2008)

President	Term of office	Political events and characters
Rhee Syug-Man	1948-1960	US military rule (1945-1948), Korean War (1950)
Yun Po-Sun	1960-1961	Parliament system, Student uprising (1960)
Park Chung-Hee	1961-1979	Authoritarian regime, Military coup (1961)
Chun Doo-Hwan	1980-1988	Authoritarian regime, Civil uprising (1987)
Roh Tae-Woo	1988-1993	Transition democratic regime, Seoul Olympics (1988)
Kim Young-Sam	1993-1998	Conservative party, First civilian President
Kim Dae-Jung	1998-2003	Liberal party, Korean Economic crisis (1997)
Roh Moo-Hun	2003-2008	Liberal party, Launch of Free Trade Agreement
Lee Myung-Bak	2008-2012	Conservative party (2008)

Source: Author's analysis.

In the political context, media development in Korea can be classified into four distinctive, if somewhat overlapping periods: the “authoritarian regime and state control” (1945-1980), “comfort competition” (1980-1991), the “new dual system” (1991-1998) and “market competition” (1998-2008). The first period, with state-controlled TV, is the nation building and industrialisation era under strong government leadership up until 1979. This period is featured as one of constrained media activities, imposed by the authoritarian regime in the interest of anti-communism and economic growth. One remarkable situation that arose was the creation of the (old) dual system in the 1960s, although it was eliminated in the second phase. The second phase, that of “comfort competition”, extended from 1980 to 1991 and heralded the arrival of private terrestrial broadcasting. This period was characterised by a compulsory reorganisation by the authoritarian regime, which led to the shaping of the current PSB system, with close links between political and media organisations. The third period of the (new) dual

system, where personal authority outweighs institutional organisations or political parties.

19 The *Tongnip Shinmun* (Independence) was the first newspaper, established in 1896, followed by a series of papers, including the first Korean daily, *Maeil Shinmun*, in 1898. During the Japanese colonisation period (1910-1945), the newspapers appeared as a movement towards independence and opposition to colonisation policies within the changing policies of the ruler. Although the majority of newspapers were closed under Japanese colonisation, in 1910 the remaining papers became the mouthpiece of the colonial state. Two leading contemporary papers, *Chosun Ilbo* and *Dong A Ilbo* emerged in the 1910s (see Sok et al., 2007).

system witnessed the arrival of commercial stations, demonstrating that Korea was ruled by global capitalism. The final period is the main focus of this work, addressed in Chapter 5 through Chapter 8. Focussing on the first three periods, the rest of this chapter explores the shift of the media market in the political, economic and social contexts, which provides the background for the current pay TV development.

2.3 Authoritarian regimes and industrialisation

2.3.1 The Cold War and the repression of the media (1945-1961)

Modern Korea was established during the Cold War. The US government's propaganda against Soviet policies was an essential foreign policy in the post-war era (McPhail, 2009: 22-6; Thussu, 2000: 31-2). During this period, neither the Soviet Union nor the US was willing to allow the Korean Peninsula to fall under the other's occupation. The ideological confrontation in the Cold War brought about not only a divided nation but also the Korean War (1950-3). During this time, the relationship between the US and capitalist Korea developed as a "patron-client relationship". While the latter received security assistance at the cost of political autonomy, the former aided the latter's economy for military and ideological reasons. This geopolitical condition, plus security concerns during the Cold War, caused strategic interests to outweigh economic ones. Meanwhile, the economic situation in this phase was characterised by rampant inflation and a scarcity of most basic products (see Vogel, 1991: 41-65). The GNP was less than US \$100 per year until early in the 1960s and the economy was barely sustained by international aid under the US leadership.

The Cold War encompassed media development. During Rhee Syug-Man's government (1948-1960), mass media activities largely served political regimes in the name of anti-Communist propaganda. At first glance, the authority seemed to guarantee the freedom of expression with the establishment of a democratic country. Yet, since the liberalisation in 1945, the media was seen as a mobilising agent for nation building, as argued in the modernisation theory envisaged by Lerner (1958) and Pye (1963). In the modernisation approach, mass media serves to build national cohesion and unity because developing nations generally lack the opportunity to gather information. Under anti-Communism and the drive of nation builders, freedom of expression depended

heavily on the ideological perspective (Youm, 1996). Right-wing publications received protection from the government, while the left-wing ones were tightly regulated. For instance, *Seoul Shinmun*, then a left-wing newspaper, was suspended and journalists were arrested and tried during the regime (KPT, 1994: 13-4). In addition, the government strictly censored news reports, even though the news served public interest, and restrained the press, regardless of its political inclination (see Kim et al., 1994: 40-42). For instance, faced with increasing criticism of the government's intention to prolong Rhee's term of office by amending the Constitution, the regime declared martial law and imposed censorship in the middle of the tragic Korean War (Youm, 1996: 47). During this period, the media was exploited by the ideological discipline.

However, the critical matter is that the practices that originated in the Cold War still proved controversial for the neoliberal government. The case in the point is the *National Security Act*²⁰, in which the government systematically restricted left-wing mass media. In his speech at the International Press Institute convention in 1992, Bang Sang Hoon, the publisher of the *Chosun Ilbo*, a leading daily newspaper, stated:

[The] existence of the National Security Law can still restrict the freedom of thought and the press in Korea. The National Security Law is a product of the Cold War, when South Korean Communists were punished by that law. In recent years [the 1990s], however, the National Security Law has been severely criticised for being abused to limit individual freedom. Accordingly, the Law was revised after democratization and does not have its restrictive power as before (Bang cited in Youm, 1994).

As the comment argues, in the name of preventing Communist activities, the media was restricted by political power, even after the establishment of the democratic government. In short, throughout Rhee Syug-Man's regime, despite the slogan "anti-Communism and defence of democracy", press activities were considerably restrained.

²⁰ The law was initially intended to be an effective legislative mechanism to deter anti-Communist activists in South Korea. However, since its enactment in 1948 and its revised provision, the law has been exploited by the ruler to control the anti-government movements in Korean politics until the mid-1990s. Under the neoliberal government, the revision of the law invariably led to controversial discussions between the left-wing and the right-wing (see Park, 1989).

The spread of radio and the origin of Community Antenna TV (CATV)

Surprising, two notable media platforms sprung amid the strictly repressed media environment: Radio and Community Antenna TV (CATV), the original cable TV. In 1954, the Christian Broadcasting System (CBS), the first private radio station, began operating a service as a religious objector²¹ (Kim et al., 1994: 44-9). During the major social events of the era, notably the student uprising which terminated the Rhee government in 1961, the station delivered the citizen's voice by providing impartial news broadcasts. It was soon followed by Pusan MBC, the first commercial radio station, which went on air in 1959 (Sok et al., 2007: 45-6). Prior to the arrival of TV stations, radio experienced a "golden age" in the 1960s. The penetration of radio sets in households was only 9.64 per cent in 1960 but was recorded at 64.36 per cent in 1974, and associated with 45 private-owned radio stations (Ibid, 2007: 84-86). However, the radio was superseded by the development of alternative media, the television.

As far as TV is concerned,²² it also saw the creation of CATV, which was competing with multichannel cable TV by the mid-2000s (see Chapter 5). Admittedly, CATV originated as a "community amplifier" or "community radio". So called "community radio" is a medium for connecting radio signals in households via a wire, which was a government leadership (Interview, 2009 and Lee, 2008). After the end of the *Korean War*, the government started a campaign for the proliferation of community amplifiers. The community amplifier was an exclusive medium for provision of public information when there was no personal communication medium, let alone modern TV sets. For the authoritarian regime, as Kim et al. (1993: 470) observe, it was an effective means for providing a one-sided information flow and articulating public communication.

Prior to any further discussion, it is worthwhile examining the difference between CATV and cable TV. Historically, the CATV was founded in order to relay radio or TV signals in poor reception areas and usually required a fee payment (see, Parsons and

21 Religious organisations in Korea have a unique position in the broadcasting market. For instance, policy considerations for religious broadcasting were given in the pay TV sector. Three major religious organisations, Buddhist, Catholic and Christian, obtained licences among less than 30 commercial channels (see Bae and Baldwin, 1998).

22 In fact, established in 1956, HLKZ TV was the first commercial TV station but it suffered hardships such as lack of advertising revenue and the low level of TV set penetration. In addition, it was destroyed by fire in 1959 (see Sok et al., 2007: 45-7).

Frieden, 1998; Streeter, 1997). It developed into the current cable TV, offering multichannels and new services thanks to technological advances. By contrast, in Korea, the spread of the community radio system (later community TV) was largely promoted by government leadership rather than by private interests. Furthermore, as we will examine later (see Chapter 5), the unexpected growth of CATV, and calling it “old media” by policy-makers left cable TV in significant hardship. The government intervention in this phase was repeated during the launch of cable TV, raising questions over the role of the government in the market. In short, except during the Second Republic (1960-1961), when the short-term government liberalised media activities, freedom of expression has been strictly constrained by the government. The government exploited the mass media with propaganda during the Cold War. However, at the same time, this period saw the rise of radio and the origins of cable TV.

2.3.2 The old dual system under the authoritarian regime (1961-1980)

Public intervention has driven what is called the “economic miracle” in Korea. During the authoritarian Park Chung-Hee regime (1961-1979), following the office being taken by means of a military coup in 1961, Korea achieved moderate economic performance under state driven policy. The Korean economic model, also commonly called the “Asian model”, stemmed from the government, which emphasised the government’s leadership. Export-orientated policy and economic planning by the government’s leadership, called the Five-year Economic Plan,²³ was the engine of growth under President Park. As Amsded (1989) has already observed, the government increasingly drove export regardless of the private sector’s individual market. Thanks to public intervention, exports by volume grew swiftly, from US\$ 55 million to US\$ 1,067 million between 1962 and 1971 (Statistic Korea, 2008). The most remarkable feature of this process was the lack of the market’s role under strong government leadership. The scope of state intervention in industrialisation was extensive, from planning to allocation of national resources. In fact, the state served as a “planner”, while private corporations played the roles of “investors”, in accordance with state instructions (Amsded, 1989).

²³ The Plan was formulated in order to initiate a state-driven economy that combined policy coordination and budgeting in the early 1960s.

Nonetheless, such stellar economic performance was at the expense of democratisation. The relationship between the state and the media can be argued as one of being what is known as “development journalism”. In this context, mass media was instructed on its appropriate role in economic development, such as emphasising positive news and censoring ignoring negative or opposing information towards the regime (see Melkote and Steeves, 2001; Servaes, 2008). Moreover, the government is a supported authority and not subject to challenge because the government is the sole agent in policy decisions (Huchison, 1999: 32). Accordingly, human rights or freedom of expression often had to be sacrificed or controlled for the purpose of successful economic growth. Under the policy of economic priority, the repressive government controlled most of the social activities, such as trade unions, NGOs and the press. Common measures were forceful reorganisation of media corporations, lay-offs and censorship using illegal methods. For instance, in 1972, the Park regime, after the passing of the Martial Law Decree No.1, mandatorily consolidated, suspended or cancelled newspaper licences. Thus, the number of newspapers fell from 22 to 14 in 1972 (Heo et al., 2000). Moreover, in 1974, the regime forced 167 journalists to resign, including leading newspaper editors who were critical of the government’s policies (Park et al., 2000: 113). In short, throughout the Park regime, the government suppressed mass media in order to mobilise people in the name of economic development and justified media control by citing economic benefits.

During this stage, we must not forget the media practice called the “stick and carrot” approach which originated in this era. Together with repressive measures above, the authoritarian regime also utilised a conciliatory instrument to tame the mass media. In return for the media legitimising the military regime, the government provided preferential treatment to a few media companies with benefits for journalists and tax favours for companies and employees, low-interest loans and even the recruitment of journalists as ruling politicians (Park et al., 2000). In fact, the media served as “the co-operator” to the government’s policies in these relationships. Park Kwon Sang (1993), a former journalist in *Dogn A Ilbo* and President of KBS during the neoliberal government, stated:

“The journalists and publishers who yielded to government policy were compensated well. With less competition from other newspapers that had been shut down by the government, the newspaper

business grew more lucrative. Journalists were rewarded with high pay, restricted press cards, income tax concessions, opportunities to travel abroad and even scholarships for their children.”

However, as will be elaborated upon below, both regressive and conciliatory measures were further exploited by later regimes. It is also noteworthy that the establishment of the (old) dual system was evident as early as the 1960s under a regressive regime. KBS was inaugurated in 1961 as a state-run broadcaster, but it was reshaped as a public organisation in 1973. In addition, two commercial TV stations, TongYang Broadcasting Television (TBC) and the Munhwa Broadcasting Company (MBC), were launched in 1964 and 1969, respectively (Youm, 1996: 175). One rising question is what motivated the authoritarian government to introduce commercial broadcasters in the 1960s. One might claim that double-digit economic growth since the 1960s and the rise in TV reception in households encouraged this regime. However, it can be argued that the old dual system was one way to uphold an illegal regime (Interview, 2009). It was seen as political motivation at the expense of journalism. In order to justify its illegitimate regime, the Park government intentionally encouraged commercial broadcasters and their entertainment programming, while suppressing news coverage (Hae, 2000; Kim et al., 1994: 35-70). In fact, broadcasters screened only entertainment-oriented television. For instance, KBS, TBC and MBC screened mostly entertainment programming 45.3, 58.0, and 64.8 per cent, respectively as of August 1969 (Choi, 1997: 447). Accordingly, this political background of the dual system was in danger of limitation if a different political power were to advance. To summarise, until the end of the 1970s, Korean media fell into the development journalism category in order to carry out state driven modernisation and legitimise the authoritarian regime. The dual system was far from being of the public interest but was instead hiding its true political intentions.

2.4 The end of the military regime and transition

2.4.1 Recycling of the authoritarian regime and comfort competition (1980-1991)

The 1980s can be remembered as an unprecedented turbulent era for media organisations. Politically, the period reached its peak in authoritarianism and also witnessed the dramatic democratic uprising. However, what must not be forgotten the creation of the current PSB system under the authoritarian regime and the emergence of civil organisations. Let us begin with the political climate in the 1980s. Korea witnessed

the “dark ages” of democracy in the early 1980s. The military regime took power, thanks to the success of the military coup headed by General *Chun Doo-Hwan* and *Roh Tae-Woo* (later to become President in 1988). In the 1980s, when Thatcher in the UK and the Reagan administration in the US were implementing liberal policies, Korea entered another authoritarian regime. Nonetheless, the Chun Doo-Hwan regime (1980-1988) was forced to implement liberal policies in economic sectors because of the unveiling of limitations in the state-driven economy. More concisely, with the global recession caused by the Oil Crisis in 1979 and the protectionist stance arising from that, the export-driven economic strategy faced a challenge. Hence, the regime no longer upheld what might be called a “one-sided development”, protecting the local market and pursuing an export-driven policy. In conducting a liberal policy, one notable institutional change was the establishment of the Fair Trade Commission (FTC) to investigate unfair market practices, which also oversaw the pay TV market (see Chapter 4). The government recognised the necessity of the Commission to cope with increasingly unfair behaviours arising from the expansion of the economy. Despite liberal policies in the economic system, the regime’s approach to mass media was unprecedentedly repressive. Suppressive measures were so critical that an American journalist wrote in the *Chicago Sun-Times*:

“Normally, citizens here [in South Korea] wouldn’t be able to talk openly about government wrong doing because, while many freedoms exist here, political is not of them. Likewise, freedom of the press is not a reality, despite being guaranteed in the Constitution. Reports exercise self-restraint in dealing with sensitive topics, such as criticism of President Chun Doo-Hwan.” (Oster, quoted in Youm, 1996)

As described above, freedom of expression during the Chun regime was restrained. However, unlike previous regimes, it exercised institutionalised measures. An example of this can be seen in the Basic Press Law enacted in 1981, combining all existing media related laws in order to control the mass media. It is one of the most “notorious” laws in modern media history, known as being one of the most ‘restrictive and comprehensive laws in capitalistic societies’ (KPI, 1996: 50; Youm, 1996: 14). In fact, enacting the law, the regime carried out the biggest purge. More than 600 journalists were dismissed, while 172 periodicals were closed on charges of “obscenity and creating social confusion” (Youm, 1994: 13). Further control of media activities was also conducted, such as the dispatch of intelligence officers into media companies. Officers from the Korean National Security Planning Agency “monitored journalists”

and even “exercised influence on news reports”, using unofficial and indirect methods to control the media (Kim, 1997; Youm, 1996: 61, Park et al., 2000: 113).

The destruction of the dual system and comfort competition

Referring to the media system during the Chun regime, two events especially draws attention because they can explain a large part of the current PSB system in Korea: the unlawful demolition of the dual system and the establishment of the Korean Broadcasting Advertising Corporation (KOBACO). The former left the only public broadcasters, MBC and KBS, while the latter became a vehicle to consolidate their dominance in the media market. Let us now elaborate on the event.

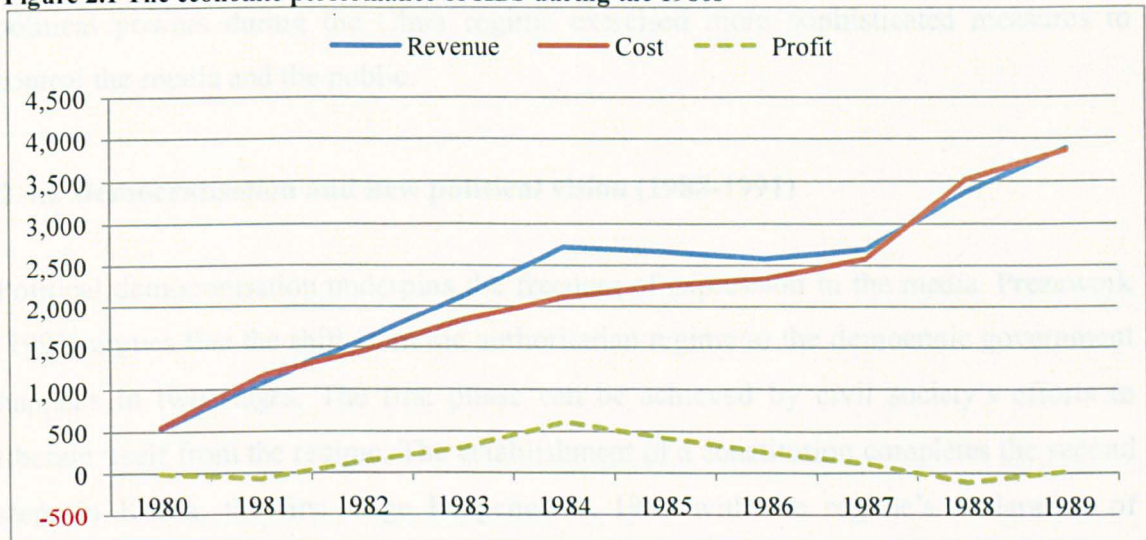
Firstly, the regime turned a private broadcaster, MBC, into public ownership by allowing KBS to obtain 65 per cent of its shares,²⁴ while the private TBC and commercial radio stations were incorporated into KBS. Secondly, while the regime prohibited news programming on CBS, the remaining two public broadcasters were under the control of the government. In addition, in order to control access to foreign news, the government even integrated new agencies into a single state news agency, creating *Yonhap News Agency*. Thirdly, the regime not only restructured broadcasting but also exercised strict regulation on programming. As a propaganda tool for Chun’s regime, the primary news on the public broadcasters “began with five to ten minutes’ coverage of the activities of Chun that day” (KPI, 1996). In fact, this period can be seen as the most repressive era in terms of media and democracy.

However, the duopoly market, composed of KBS and MBC, produced a contradiction. The creation that Peacock (1986) called “comfort competition” offered an opportunity to the surviving broadcasters. Without new entrants to the market, secured by the government at least until the early 1990s, the remaining broadcasters showed striking growth. As seen in Figure 2.1, KBS, financed by licence fee and advertising revenue, recorded outstanding performance. In 1980, its turnover was just 534 billion KRW but it reached 3,884 billion KRW in 1989, despite fluctuations in profit due to investment (KBA, 1997). The result can be partly explained by the rising commercial revenue

²⁴ During this process, about 305 journalists had to leave their work in KBS and MBC. After this incident, the privatisation of MBC is occasionally discussed in the media market and political parties.

thanks to economic growth and being the main broadcaster for big sporting events, such as the Asian Games and the Seoul Olympic Games in 1986 and 1988, respectively. However, the exponential growth can mostly be explained by the monopolistic structure. At the same time, public concern arose over the need to shape the media market into a more competitive structure.

Figure 2.1 The economic performance of KBS during the 1980s



Source: adapted Korea Broadcasting Association (1997: 783).

Turning now to another key event, we look at politics surrounding KOBACO, focussing on the public broadcasters. In 2008, the Constitutional Court of Korea (CCA) judged KOBACO, established in 1980, as unconstitutional, recommending the government to revise the law within a year.²⁵ This event can explain how the organisation, after more than two decades, has been the most critical organisation in Korean media market. The Chun government gave exclusive rights to KOBACO as an advertising agent, selling commercial time to advertisers, banning direct selling between broadcasters and advertisers. By charging for liaising between broadcasters and advertisers, KOBACO collected fees and distributed the funds according to the wishes of the state. The official aim was to redistribute the profit amongst broadcasters. However, the institution was manipulated by the regime to tame and moderate media organisations and workers using political power, as well as constraining competition in advertising agencies (Joo et al., 1997; Kang, 1998; Park et al., 2000). A significant proportion of the fund was spent in bribing journalists to produce pro-government propaganda. Under the Chun regime, the

²⁵ In February 2012, after almost four years of deliberation, the new legislation was finally approved in the National Assembly. The legislation was subsequently suspended due to contesting interests between the ruling and opposition parties as well as the public and private broadcasters.

fund was also used to support journalists by methods such as providing overseas training and welfare benefits. For public broadcasters, also, KOBACO was ring-fence to that guaranteed a portion of the advertising revenue without having to answer the programme ratings. However, for competitors, mostly pay TV operators, the existence of KOBACO is problematic because it prevents fair competition and makes room for indirect intervention in the broadcasting market by the government. In short, the political powers during the Chun regime exercised more sophisticated measures to control the media and the public.

2.4.2 Democratisation and new political vision (1988-1991)

Political democratisation underpins the freedom of expression in the media. Prezework (1991) argues that the shift from the authoritarian regime to the democratic government happens in two stages. The first phase can be achieved by civil society's efforts to liberate itself from the regime. The establishment of a constitution completes the second step. In Korea, the first stage happened in 1987 with the regime's declaration of "democratisation" by the civil uprising. The event was similar to what Huntington (1991) called "the Third Wave" in Latin America and South Africa in the 1980s. The revision of the constitution, the second step, enabled the Korean people to choose their leader for the first time since the military coup in 1961. In fact, the inauguration of *Roh Tae-Woo* as President (1988-1993) paved the way for a democratic society.

A democratic climate in the media sector was realised with the abolishment of several repressive laws. The removal of the Basic Press Act came first. This most repressive of laws was replaced by two media and communication laws: the Act on Registration of Periodicals and the Broadcasting Act. The former Act lifted the strict restrictions on periodical journals, guaranteeing their freedom of expression, while the latter Act liberated the broadcasting system. The consequences were enormous. For instance, the number of national daily newspapers increased triple fold, from 32 in June 1987, to 117 at the end of 1992 (KPI, 1993: 8-22). In the same period, the number of media workers also grew by 56 per cent, reaching 36,292 in 1992. Meanwhile, the Broadcasting Act permitted the establishment of the Korean Broadcasting Commission (KBC), which supervises content and policies of broadcasters, although the major authority over

broadcasters was still in the hands of government agencies (the Ministry of Culture and Information). Compared with the previous regime, however, it was a significant step in guaranteeing the freedom of the broadcasting market.

More significantly, political democratisation led to the restoration of the dual system. With the licensing of the Seoul Broadcasting System (SBS) in 1990, a privately owned commercial TV company, the dual system destroyed in 1980 was finally revived. The broadcasters' coverage was limited to the capital, Seoul, but the arrival of SBS was a crossroads in media history. Firstly, prior to the development of pay TV, the current PSB system was completed, comprising of two public television stations (KBS and MBC) and a commercial television station (SBS). Secondly, by adopting the network system, SBS became a nationwide broadcaster in later years, when the successive governments licenced local broadcasters. Finally, the most notable change was the shift in government attitude towards the media market. As has been seen so far, under the repressive governments, the media's role was that of a "docile mouthpiece" rather than a watchdog and the media was considered for decades as agents in supporting illegitimate regimes and military rulers. However, as Kim et al. (1994) observed, the media was not only perceived in a political context but also considered in an industrial perspective for the first time.

We should now look at civil organisations and their role in media organisations as they emerged as a major participant in the policy-making processes at this time. As noted earlier, civil organisations can be seen as a core social space, far from the political, economic and private sector influence, to achieve the shared interest needed in a healthy democracy. Admittedly, the people's dissatisfaction and their resistance against journalism in broadcasting peaked in the mid-1980s. An example of this can be seen in the "KBS licence fee boycott campaign" led by civil organisations, accusing the broadcaster of distorting news, ignoring the public voice and of patrician journalism (see Kim, 2001; Youm, 1998). The spread of the protest resulted in the fall in licence fees from 125.6 billion to 78 billion KRW from 1984 to 1988 (Shim and Jin, 2007: 165). This occurrence shows the loss of credibility in the broadcaster and the rise in civil society, despite being under the repressive regimes.

Table 2.2 Disputes over political issues in broadcasters

Broadcaster	Year	Event
MBC	1988.7	As organised in 1987 under democratic progress, the MBC union launched its first strike, demanding impartiality, fairness and the resignation of the chief of MBC.
KBS	1988.7	The union in KBS went on strike, protesting the appointment of political figures such as the new chief and ex-Korean Central Intelligence Agency members in KBS.
KBS	1990.4	The strike resulted in the withdrawal of the chief in KBS but the arrest of union members under a charge of the violation of labour law.
MBC	1991.4	The union asked for "editorial democracy" in news and programmes, and distance from political power.
EBS	2003.3	The union contested the Korean Broadcasting Commission's plan to audit EBS with the purpose of controlling the broadcaster.
KBS	2003.3	The KBS union requested withdrawal of the new chief, who had served as an advisor for the incumbent president. Consequently, the government withdrew the new chief of KBS.
YTN*	2008.3	Unionists in YTN protested against the nomination of a new chief executive who had worked as a media advisor for a candidate during the presidential campaign.

Note: *YTN is a 24 hours news channel

Source: Heuvel and Dennis (1993), KPI (1996) and author's analysis.

Furthermore, political democratisation gave way to empowering civil organisations. Only three months after the declaration of democratisation in 1987, most of the broadcasters and newspaper companies had organised their trade unions and the Korean Federation of Press Union, consisting of 41 organisations with about 13,000 individual members, was inaugurated in 1988 (KPI, 1996). In its initial stages, the significant aims in an industrial organisation are to provide resistance to political pressure and to protect jobs. In other words, through trade unions, journalists (and employees) want 'editorial democracy' from their management and from external (mostly political) pressures and interventions (Heuvel and Dennis, 1993: 19). For this reason, they insisted on the election or recommendation of their editor or newsroom chief by democratic methods rather than by the appointment system by their publisher or politician. Furthermore, the unions aimed to remove old practices accumulated during authoritarian and anti-democratic regimes. However, the industrial unions occasionally went too far, as illustrated in Table 2.3. More specifically, they fought against not only political and commercial pressure but were sometimes obsessed with protecting their own interests by fighting against emerging competitors. As we will see in the following chapters (see Chapters 5-8), empowered trade unions, particularly within public broadcasters, attempted to become agents in the media policy-making process. To summarise, political democratisation provided freedom of expression and development of the dual

system. Since the 1980s, rising civil organisations have been significant in their role in fighting political pressure in the media.

2.5 Global strategies and the economic crisis (1991-1998)

2.5.1 Removing old legacies and state-driven globalisation

During the 1990s, Korea faced two imposing tasks. On one hand, it was forced to respond to the consolidation of democracy. On the other hand, it was obsessed by the discipline of globalisation. It is interesting to note that the Kim Young-Sam government (1993-1998) utilised this dual task as a political catchphrase. In fact, his successor President, *Roh Tae-Woo*, was first elected in a democratic election under a democratic constitution. Nevertheless, the democracy was 'partially institutionalized' because his political background was still viewed as having been in the military power (Lim, 2008: 151). Thus, the President of the Kim government was asked to consolidate democracy, as the first civilian government in 30 years. Under these circumstances, the Kim government initiated the "*shinhanguk*" campaign (a sweeping transformation of society) after its inauguration. The prime intent of the campaign was to eradicate the spread of corruption accumulated during the compressed industrialisation (Hundt, 2009). Indeed, the old Korean practices, the so-called "Korean disease", meant that the state was encompassed with corruption, regionalism and irrational practices and needless to say, a concentration of the economic system by conglomerates, '*chaebols*' (Chang, 2008: 95-117). In the process of liquidating the past, former presidents were not immune from prosecution of corrupt individuals: two previous presidents, *Chun Doo-Hwan* and *Roh Tae-Woo*, were also charged with corruption and prosecuted, along with major business groups including the Samsung and Hyundai corporations. Indeed, as the first legitimate government, these measures were the initial steps to remove authoritarian legacies and to reconstruct Korea.

Globalisation is a buzzword, with multifaceted connotations, used to explain the global capitalism of the 1990s. It refers to the process of the world's politics, economies and culture becoming connected and interdependent (see Appadurai, 1996; Giddens, 1990; Tomlinson, 1999 and chapter 3). Yet, for the Kim government, the globalisation discipline was a political banner under which they could remove old practices (Moon

and Mo, 1999; Kim, 2000). President Kim proclaimed:

Globalisation is the shortcut which will lead us to building a first-class country in the 21st century. This is why I revealed my plan for globalisation....It is at realizing globalisation in all sectors – politics, foreign affairs, economy, society, education, culture and sports. To this end, it is necessary to enhance our viewpoints, way of thinking, system, and practices to the world class level....We have no choice other than this (*Korea Times*, 1995).

Kim's globalisation strategy aimed to reconstruct the nation into a truly market-driven economy with greater global competitiveness. In contrast to the argument that maintains that globalisation eclipses the state's power, globalisation in the Kim government is perceived as a top-down plan, led by the government (Ryoo, 2008: 879). The Kim government carried out global strategies in two ways. On one hand, it planned to participate in international organisations and, in fact, it became a member of the OECD in 1996, while it was actively involved in discussions with the World Trade Organisation (WTO). Meanwhile, it initiated liberal policies in response to demand for open trade. In 1993, immediately after taking office, the government announced the privatisation of 58 public enterprises (Lee et al., 2010), although this drew resistance and was delayed by the succeeding government. Additionally, the government lifted heavy regulations from the financial market,²⁶ such as foreign exchange control and international capital flows in order to reduce tariffs and dismantle non-tariff barriers. Thanks to its liberal policies, the government attained the milestone of \$10,000 GNP in 1995, from less than \$100 in the early 1960s (Statistic Korea, 2008).

Nevertheless, state-led globalisation under a specific political ideology was exposed as having limitations with the outbreak of the Korean Economic Crisis. As Kim (2003: 3) noted, the globalisation and *seggyewha* plan, "started with a bang and ended with a whimper". In November 1997, just before the presidential election, the Korean economic system was barely sustained by a \$57 billion IMF bailout program. Referring to the unprecedented economic crisis, Stiglitz (2003) states:

"Whatever the cause of the crisis, Korea was to experience drastic upheavals as the result of neo-liberal economic globalisation in the wake of the Asian economic crisis. It was forced to accept the harsh IMF 'bailout' package to avert economic collapse. The package stipulated a strict austerity policy, liberalisation of trade and capital markets, the privatization of public companies, increase in labour

26 The plan was implemented by 'the Blueprint for Financial Reform' (1993) and 'Program for Capital Account Liberalisation' (1995). Following these reforms, not only large conglomerates but also small firms had access to international capital to obtain finance for long-term projects (Tcha, 2003: 1-18).

flexibility, abolition of restrictions on foreign ownership, lowering of *chaebols* (family-owned Korean conglomerates), debt ratio to the global standard, and so forth.”

The result of the economic crisis was significant. In 1998 Korea recorded -5.8 per cent GDP growth for the first time in 38 years, while short-term interest rose to almost 20-30 per cent in the same year (Cha, 2010; 452). In the media sectors, the industry underwent downsizing and restructuring, including reductions in employment, salary cuts and bankruptcy (Kim et al., 2001). One interesting feature of the economic crisis in Korea, is the shift in policy-makers’ attitudes. They were concerned over the unprecedented challenge and the reform plans imposed by the IMF. However, it was a welcome opportunity, especially for the upcoming neoliberal government, because they were able to exploit the crisis and the reform plans driven by the international organisation to reshape the nation (Hundt, 2009: 95). As we will see in the analysis of cable TV policy (see chapter 5), the crisis provided momentum for policy-makers to recognise the limitations of strict regulation and the necessity for liberal policies towards new media.

2.5.2 Democratisation and professionalisation in media regulation

The promotion of the IT industry became the top policy goal in the 1990s. As noted earlier, Korea earned the title of “leading country in the IT industry” in the twenty-first century.²⁷ The significant fact is that the Kim government originally drove the policy. From then on, the IT industry has become a driving force for economic growth, alongside liberal policies. Table 2.4 illustrates how the IT industry became a major contributor in economic growth from the mid-1990s. With the growing discussion on what Bell (1973) called the information society, the government recognised that the previously state-driven economy was no longer viable under global capitalism. Following this logic, in 1994, the government abolished the Economic Planning Board that had played a key role in economic policy since the 1960s. It also reshuffled government agencies, namely ‘established a small government as part of its globalisation plan’ (Jin, 2005: 507) and exercised a number of measures designed to promote the IT industry. These included: deregulation on the telecommunications sector; the establishment of global strategies to attract foreign capital; the encouragement of overseas investment; the promotion of business ventures in the IT sector (see, Kim 2010:

²⁷ It includes such elements as broadband service, mobile phones and production of semiconductors (see ITU, 2003a; OECD, 2006).

117). In short, liberal policies and the developments in the ICT industry during the 1990s provided, at least, a positive climate in which to launch new TV services.

Table 2.3 Contribution of the IT industry to the economic growth (Per cent)

	1990	1992	1994	1996	1999	2000
IT contribution	4.5	5.9	12.1	14.1	32.8	50.5

Source: Lee and Choi (2001: 4).

The democratic transition contributed to professionalisation in the broadcasting sector. Until the 1990s, as has so far been seen, broadcasting policies were decided by political power, ignoring opposition voices. However, social democratisation encouraged the government's attempts to establish a more professional practice in the media policy-making process. In this context, the establishment of the following independent commissions to review the media market is noteworthy:

- The Broadcasting System Commission (1989)
- The Commission for the Development of Public Service Broadcasting (1993)
- The Commission for Advanced Broadcasting Policy in Five Years (1995)
- The Commission for Broadcasting Reform (1999)

The commissions, mostly composed of scholars, experts and politicians, gave different perspectives on broadcasting policy, amidst the shift in the global media environment. For instance, in 1989, the *Broadcasting System Commission*, the first independent commission in Korean media history, suggested the introduction of commercial TV, including multichannel platforms. However, the commissions' proposals were mostly disregarded, except a few cases, and sometimes the commissions' role was as a vehicle to ratify the established policies. In other words, unlike in the case of the UK (see, Tunstall 2010, 151-2), the activities of Commissioners were not independent from political pressure and corporations interests. Despite criticism, the establishment of the advisory commissions was evidence of the introduction of professionalised regulation, rather than one-sided decisions made by politicians. The establishment of various organisations accompanied the professionalisation in media policy. Firstly, the Kim government established the *Culture Industry Bureau* within the *Ministry of Culture and Sports* in 1993. The aim was to prepare a coherent cultural policy in response to the growing importance of content and the audiovisual industry in the international marketplace (Interview, 2009). By the same token, in 1992 it set up the Korean Cable

TV Communication Commission (KCCC), in order to professionalise cable TV regulation. Faced with the influence of transnational channels via satellite TV and the imperative for new platforms, the government established the Commission to supervise the cable TV sector, separate from the incumbent KBC, which oversaw the public broadcast sector. In the process, one key observation is the government's acknowledgement of the importance of the media market and content sector from an economic perspective as well as in the political context. To summarise, the period covered by the Kim government and the previous Roh government is characterised by liberalisation and globalisation of the nation's economic system. During this process, the media was gradually viewed more from an economic perspective than as a political instrument. This climate, at least, provided a positive environment for the upcoming neoliberal government, which intended to launch new TV platforms.

2.6 Conclusion

This chapter began by arguing that the media system was closely linked to the development of democracy. The identified conclusion is that the media market in Korea has been especially sensitive to the political regime. By and large, the broadcasting market has been under pressure in line with the shift of political regimes. It is widely accepted that the broadcaster acts as a ring-fence for the public interest and a watchdog of elites and political power in a democratic society. However, when the civil uprising of 1987 terminated any hope for future authoritarian regimes, mass media became to be seen as a political tool for politicians. In order to reach the conclusion, this chapter has divided the evolution of media market into four political regimes. During the nation-building era, the political regime used the mass media as a tool for propaganda (Herman and Chomsky, 1988). However, regressive practices toward media activities escalated during economic development era through repressive and conciliatory methods. Moreover, the authoritarian regime unlawfully destroyed the dual broadcasting system created as early as 1960. However, the political democracy of the 1980s onwards provided a vision for media operators. Since then, more recent governments have taken to liberal policies giving way to empowered civil organisations and a democratic transition.

In this chapter, we should not overlook the significance of NGOs. In a democratic process, civil society, particularly trade unions within media organisations, has emerged as a significant agent in the media policy-making process. For decades, the state has been the exclusive agent in deciding media policy, but this has proven to be unsustainable in a democratic transition. It has also been identified that the broadcasting sector is perceived not only in a political context but also from an economic perspective with the implementation of liberal policies. This is a sharply contrasting view from those of previous politicians, who saw the media as a target of control to justify unelected power. These results lead us to the conclusion that the broadcasting structure in Korea has undergone tremendous changes in political, social and economic perspectives in the last four decades. The Korean economy achieved the impossible, with humble beginnings as a war-torn country now the leader of the global ICT revolution. In addition, it is undeniable that the media developments of the 1980s onwards helped shape the political landscape. The evidence identified in this chapter and the shift in the global media market shown in the following chapter will provide the background to pay TV development during the neoliberal government.

Chapter 3 The shift in the global media environment and trends

3.1 Introduction

This chapter explores the shift in the media environment and market trends from a global perspective. The reason for this is that an international perspective and discussion allows researchers the insight to understand national media systems and changes adequately.²⁸ Up until the 1980s, the media environment was characterised as having a limited number of operators, imposed by technological constraints. However, subsequent technological revolutions have since radically changed the media landscape and thus has placed the national media system in an unpredictable environment. In this chapter, we refer to the “media environment” as social, political, economic and technological circumstances within media organisations that are operating and competing with each other. A number of studies have been devoted to identifying shared patterns or trends but have arrived at different conclusions.²⁹ Nevertheless, the studies agree that the current media market shift has not been caused by a single agent but by multi-dimensional forces.

In this chapter, we will highlight four overarching forces within the media environment. These forces are: globalisation and the creation of global media corporation; pressures on public broadcasters; digitalisation and convergence; and the pervasiveness of commercialisation. Some of these subjects have been extensively addressed elsewhere and other trends will be examined in the following chapters. The Korean media industry under the neoliberal government was not isolated in the effects of the turbulent global media landscape. In discussing the shift of the global media environment, we will argue that the media market in Korea followed global patterns but went a slightly different path due to its unique socio-political history. This chapter is divided into four sections. The four major factors above are addressed in individual sections.

²⁸ See Downing et al. (1990: 23).

²⁹ See Albarran (2010), Dahlgren (2001 and 2009), Hamelink (1995), Hjarvard and Tufte (1998), Murdock and Golding (1999) and Noll (2007).

3.2 Globalisation and emerging global corporations

3.2.1 Globalisation theory and the local context

The current media system cannot be understood without an examination of globalisation since media markets are not lone actors but a part of the global economic system. In this section, we shall start by defining globalisation, followed by a debate on the global information flow and then an examination of the politics in global media corporations.

In the last decade, it was seen that the globalisation paradigm could be accepted as an important discipline in understanding contemporary international capitalism. From economists, sociologists and political scientists to bio-economists, globalisation has drawn scholars from a wide variety of disciplines. However, the concept is still contested because different authors have different approaches to globalisation (see Appadurai, 1996; Giddens, 1990; Robertson, 1992; Tomlinson, 1995; Waters, 1995; Castells, 1996, 1997; Rantanen, 2005; Thussu, 2000). Nevertheless, it is commonly accepted that globalisation brings out “compressed time and space” whether it is called a “global village” (see McLuhan, 1964) or a “network society” (Castells, 1996). To borrow the argument of Giddens (1990: 64), it is understood as “the intensification of the world” beyond time and space limitations. In fact, the reshaping of the global order in political, social and economic dimensions, together with the ICT revolution, has led to no single nation being able to sustain its identity adequately without international interaction. As far as ICT is concerned, the ‘network society’ envisaged by Castells (1996 and 1997) connects the global system through the development of new technology.

Despite a attempt to conceptualise it, the nature of globalisation theory remains highly contentious. In this sense, the study by Held et al. (1999) provides a useful framework for the problem. Their study classifies globalisation literature into three broad groups: hyperglobalists, sceptics and transformational theorists. Firstly, for hyperglobalists, globalisation can be seen as a new era of human history with the formation of a global market structure, leading to the creation of a new international order at the cost of the authority of the nation-state. This school claims that the globalisation process is eroding state sovereignty and autonomy, whereas global and regional governance holds the power in the global system (for example, Ohmae, 1995; Albrow, 1996). Secondly, for the

sceptics globalisation is conceived as little more than a simple increase in international exchange. These studies stress that globalisation is “exaggerated”, “a myth” or “nothing” (see Hirst and Thompson, 1996; Ritzer, 2004). In this account, although international forces may constrain government sovereignty, the nation is still an essential agent in regulation. Lastly, transformationalists argue that globalisation can be seen as structural process. This school claims that globalisation is a contingent historical process in the long term, in contrast with sceptics and hyperglobalist scholars who claim a fixed global world. In this theory, government sovereignty has become shared among local, regional, national and global forces, instead of a particular national boundary. In short, the three distinctive globalisation approaches show different views of the transformation of modern global structures and interactions.

In the context of Korea, globalisation became a political catchphrase prior to the neoliberal government (see Chapter 2). Kim Young-Sam government (1993-1997) adopted it as a political banner and, on one hand, exercised it as a vehicle to stimulate social reform, eradicating old practices accumulated by preceding authoritarian regimes. At the same time, it exploited the globalisation principle to replace state-led economic development, implementing liberal policy and stressing global competitiveness in domestic corporations. Nevertheless, the disparity between the rhetoric of the globalisation strategy and the lack of substantial power was overshadowed by the advent of the economic crisis in 1997.

Media imperialism and the “Korean wave”

Before we turn to other subjects, the globalisation discussion will be further examined, focussing on media imperialism. From the post-war period, scholars have been interested in global information flow between local, regional and global dimensions, employing various accounts, including the modernisation theory, media imperialism and political economics, which are elaborated elsewhere in this thesis. Among those arguments, media imperialism, one of the counter-arguments to globalisation, is an often discussed theory. Envisaged by the work of Herbert Schiller (1969) and Boyd-Barrett (1977), the theory asserts that a very small number of advanced nations, mostly led by the US, dominate the flow of international information. Media imperialism stresses the imbalance of

information flow rather than reciprocal interaction between nations. Boyd-Barrett (1977: 117) defines media imperialism as:

The process whereby the ownership, structure, distribution or content of media in any one country are singly or together subject to substantial external pressures from the media interests of any other countries without proportionate reciprocation of influence by the country so affected.

As in Boyd-Barrett's definition, the features of media imperialism are the "one-way dependence of media flow" between nations and the "homogenization" in international communications (Rantanen, 2005: 74-92). The theory of media imperialism is clearly identified with the work of Herbert Schiller, who focused on the power, the one-way flow of information and the global ownership (Schiller, 1976, 1991). For him, the prominent feature of the international system is the unbalanced flow of global TV from the US and the US-based media industry which dominates international TV programmes. In the same vein, Tunstall (1977), in his book *The media are American*, argues that the American media industry, including TV programming, news and music, has had an unprecedented scale of success across the world. However, the media imperialism argument is subject to criticism. In reviewing media imperialism studies, Morley (2006: 34) summarises his argument as follows:

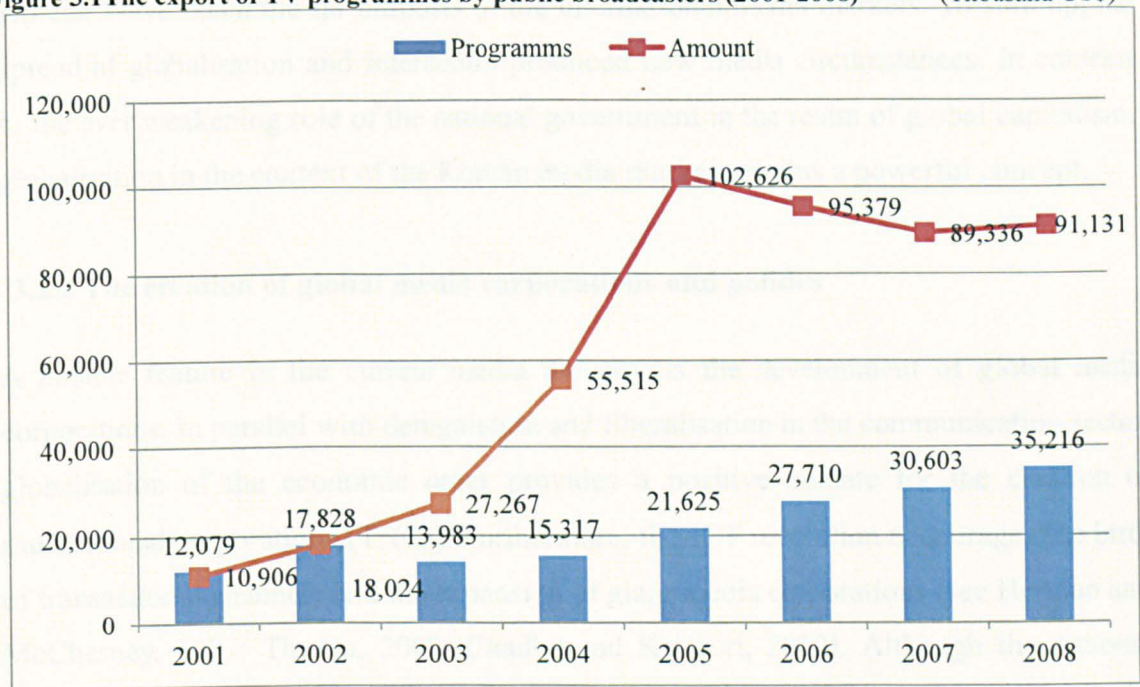
[First] The way the original model oversimplifies the complex nature of flow in international communications. [Second] It fails to address the more recent strategies of 'glocalisation' adopted by many of the key media producers. [Third] The problem that follows from the policies of 'cultural protectionism' to which this model of media imperialism seems to lead. [Fourth] The inadequacies of the simple 'hypodermic' model of the media's supposed effects on the audience, which underlies the original theory of media imperialism.

In fact, unlike globalisation, media imperialism primarily ignores the complexity and the interchange between global and local cultures. As Sreberny - Mohammadi (1991) argues, media exchange between nations is not a simple structure but it is constructed of the complexity of media flow between the advanced countries and the underdeveloped countries. A volume of studies reveal that non-Western nations emerged as the centre of cultural and media production and significantly expanded their market share (for example, Chan, 1994b; Iwabuchi, 2002). Secondly, the criticism of the media imperialism theory lies in its underestimation of rooted local power and resistance. Media imperialism assumes a simplistic and linear flow of information exchange between the dominant Western countries and the affected countries. However, as researchers identified, global and local relations consist of a complicated and reciprocal system of interactions, instead of a one-way flow (Kraid, 2005; Lopez, 1995). Moreover, as the terms 'glocalization' and

'hybridization' imply, media flow is, to an extent, linked to local interaction. In this sense, as Robertson (1992: 25-44) points out, there are "no cosmopolitians without locals" and globalisation is reshaped by the process of local and global interconnection. Last but not least, the media imperialism debate does not consider the audience's autonomy in media consumption. As Tunstall (1977: 262), an advocator of media imperialism, admits, the "audience is left unclear" in the media imperialism debate. In fact, the audience in the media structure is not merely forced to consume foreign programmes but actively uses and interprets the programmes in different ways. Researchers have shown that media texts are consumed by an audience with its own purposes and preferences, which displays a resistance to American TV and a preference for locally-made programmes (Fiske, 1987; Moeley, 1980; Silj, 1988). To summarise, media imperialism is one of the feasible paradigms for analysing international media flow but it has drawn criticism from counter arguments stressing the interaction rather than the one-sided flow.

In Korea, media imperialism was a theory used to explain the environment of TV industry. In the 1990s, the advent of commercial broadcasters drove the demand for foreign programmes because of a lack of local content. In 1999, for instance, "*Catch One*", a single premium channel on cable TV, aired 84.1 per cent of foreign films within its total broadcasting time (Kim, 2001). Meanwhile, three public broadcasters, KBS, MBC and SBS, only offered 13.3 per cent of Korean films in the same year. In the recent years, however, Korea has emerged as a new hub for cultural production in the regional marketplace. As an example of the counter-argument to media imperialism, it has witnessed the spread of a Korean cultural phenomenon, called the "Korean Wave". A newspaper reported, "the Korean creative industries are expanding into neighbouring Asian markets, realising their own mode of cultural imperialism" (Financial Times, 2002). In fact, as studies (see Flew, 2007; Tunstall, 2007; Ryoo, 2009) observed, Korean cultural products are hugely successful in the regional market, rejecting the notion of media imperialism. Figure 3.1 shows the export of Korean TV content during the 2000s. In 2001, Korean production exported a total of US \$12,000 thousand, selling 10,900 programmes. However, it increased explosively, recording an export volume of more than US \$91,000 thousand, or 35,000 programmes in 2008 (KCC, 2009a). The output is unprecedented in that the export of Korean content rarely occurred prior to the neoliberal government.

Figure 3.1 The export of TV programmes by public broadcasters (2001-2008) (Thousand US\$)



Source: KBC (2007: 29), KCC (2009: 110).

Before closing this section, it is noteworthy to consider two implications connected with the current thesis. One aspect is that public broadcasters led the successful expansion of Korean programming. According to KCC (2009a), as of 2008, their share of the export accounted for more than 96 per cent of the total export volume, while other corporations, such as cable TV shared less than 4 per cent. This performance, despite a slight decline in 2005 as seen in Figure 3.1, demonstrates the success of the public broadcaster's efforts in global strategy. As we will see below, the development of new TV outlets and emerging global media pose challenges for public broadcasters. The potential in programming export illustrates that public broadcasters may find an alternative strategy aside from the highly competitive domestic media market.

The other fact is that the '*Korean Wave*' is led partly by government intervention during the neoliberal government. During the period of economic crisis, the government viewed the growth of cultural products and the ITC industry as tools to boosting the ailing economy (see Jin, 2005). With this in mind, it promoted the export of cultural products into overseas markets to generate foreign revenue and as a measure to defend the local market against foreign content. The government implemented combined strategies, such as the allocation of government budget to build broadcasting infrastructure and the establishment of promotional institutions that would help the

Korean Wave reach the far outposts of the international media markets. To sum up, the spread of globalisation and interaction produced new media circumstances. In contrast to the ever weakening role of the national government in the realm of global capitalism, globalisation in the context of the Korean media market remains a powerful concept.

3.2.2 The creation of global media corporations and politics

A notable feature in the current media industry is the development of global media corporations. In parallel with deregulation and liberalisation in the communication sector, globalisation of the economic order provides a positive climate for the creation of transnational corporations (TNCs). Furthermore, the ICT revolution encourages the birth of transnational channels and the expansion of giant media corporations (see Herman and McChesney, 1997; Thussu, 2000; Chadha and Kavoori, 2010). Although the national media systems are still primarily contained, emerging dominant players treat the media markets as a single global market with local subdivisions.

Indeed, a few dominant global corporations have reshaped the global media structure. The “Magnificent Seven”, using Castell’s term (2009: 73-4), of Time Warner, Disney, News Corporation, Bertelsmann, NBC Universal, Viacom and CBS, occupy the global media market. The top twenty media companies by turnover, globally, are listed in Table 3.1. The common pattern of these corporations is a diversification strategy where media corporations are closely connected through horizontal and vertical integration in media market (Croteau and Hoynes, 2006: 138). Bertelsman, for instance, began in publishing and has moved into broadcasting and TV sectors in the European nations and the US market (Alger, 1998: 50-3). Additionally, global media corporations customise their audiences in order to maximise revenue. They break into regions and new markets delivering customised content, ultimately aiming to maximise revenue. In fact, the boundaries of global media corporations include every aspect of the audiovisual market, involving TV, movies, pay TV, entertainment programming production and internet services. By investing in a variety of businesses without boundaries, giant media conglomerates have produced a “comparative advantage” in the globalised market (see Chadha and Kavoori, 2010).

Table 3.1 The largest media companies in the world by revenue (2009) (US\$ millions)

	Company	Domicile	Total revenue (USD mills)	Media revenue (USD mills)	Media share in total revenue (%)
1	News Corporation	USA	30,423	30,423	100
2	Time Warner Inc*	USA	25,785	25,785	100
3	The Walt Disney	USA	36,149	23,057	64
4	Comcast	USA	35,756	22,317	62
6	The DirecTV Group	USA	21,565	21,565	100
5	Bertelsmann AG	Germany	21,343	21,343	100
7	NBC Universal	USA	15,436	15,436	100
8	Viacom Inc.	USA	13,619	13,619	100
9	Vivendi	France	37,691	12,354	33
10	Dish Network	USA	11,663	11,663	100
11	Time Warner Cable	USA	17,868	11,462	64
12	CBS Corporation	USA	13,015	11,292	87
13	Lagardère	France	10,963	10,963	100
14	Cox Enterprises	USA	14,700	10,800	73
15	Liberty Global	USA	8,953	8,953	100
16	ARD	Germany	8,870	8,870	100
17	Pearson	Great Britain	8,772	8,772	100
18	Reed Elsevier	The Netherlands	9,601	8,592	89
19	BBC	Great Britain	8,463	8,463	100
20	BSkyB	Great Britain	8,359	8,359	100

Note: *Time Warner Cable was separated from Time Warner Inc. in March 2009. Time Warner Inc. no longer has an ownership interest in Time Warner Cable.

Source: adapted Nordicom (2010).

News Corporation may be considered as the epitome of a truly global media corporation. The corporation originated as a regional newspaper in Australia, owned by Rupert Murdoch, but has been transformed into a symbol of a global media giant in less than half a century (see Knight, 2007; Wheeler, 1997). As seen in Table 3.1, it is the largest global corporation by turnover, generating a total of US\$ 30,423 billion across all nations in 2009. News Corporation's business sectors and regions are unprecedented in their scale (Enders Analysis, 2010):

- 100% ownership of News International (The Times, The Sunday Times, The Sun and The News of the World³⁰)
- A 39.1% stake in BSkyB (Pay TV and telecommunications services)
- 100 % ownership of HarperCollins, one of the top four book publishers in the UK
- Others News Corporation sectors include: The Wall Street Journal, Dow Jones, The New York Post and Fox TV (one of the big four US networks) in the US. A portfolio of newspapers, including The Australian, The Daily Telegraph and Herald Sun and a 25% stake in FOXTEL (pay TV satellite), 100% ownership of Sky Italia, the leading supplier of Pay TV services in

30 In 2011, News of Corporation closed the New of the World, due to the phone hacking scandal in the UK.

Italy and a 45.5% stake in Sky Deutschland, the leading supplier of Pay TV services in Germany.

In the UK, News Corporation's businesses include two leading daily newspapers (by circulation), publishing and DBS (BSkyB). Competing with the public broadcaster, BBC, News Corporation has increasingly expanded its dominance in the audiovisual market by adopting a cross-platform strategy. However, the recent ICT revolution has reinforced the creation of a new type of TNC. As seen with the growth of Google, Microsoft and Yahoo, the proliferation of the internet and digital innovation has created new global multimedia corporations (Economist, 2007a). For instance, Google, established in 2005 in the US, accounts for 62.4 per cent of searches on the internet, surpassing the pioneering Yahoo, which only has a 12.8 per cent share of the search engines, as of January 2008 (Guardian, 2008). Google became the fifth largest corporation, recording a US\$291 billion market value on the US Stock Market, compared with Yahoo in the second place with US \$6.97 billion, as of October 2007.

Nevertheless, the creation of a few TNCs and their consolidation draws concerns. Broadly speaking, the media structure is increasingly concentrated in a few giant corporations. By conducting mergers and acquisitions, together with employing new technology, a few media corporations have formed an increasingly impenetrable monopolistic structure (see Albarran, 2010: 41-3; Iosifidis, 2011: 3-5). As Bagdikian's study (1983, 2004) identified, 50 media corporations dominated the US media market in the 1980s but only the "Big Five" controls the media industry today. To summarise, the free-flow of information within global capitalism has led to the creation of global media corporations. However, the concentration of the media system provokes public concerns.

3.3 From public monopoly to competition

3.3.1 The nature of the public broadcaster and a democratic society

The second feature in the current media environment is the role of public broadcasters. As noted earlier, PSB was established to cater to the public interest but it is facing challenging in the turbulent media market. This section will give an overview of the nature of the PSB system and its major hurdles. The PSB system constitutes a unique broadcasting system by fulfilling its commitment in return for public financing (Blumler

et. al., 1992; EBU, 2004; Raboy, 1996), In this context, the Amsterdam Protocol (1997) asserted that “the system of public broadcasting in the Member States is directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism”. However, the characteristics of PSB is a contested field, with different contexts in different studies (see Blumler, 1991; Broadcasting Research Unit, 1985; the Council of Europe, 1994; UNESCO, 2005). Tracey (1998), for instance, suggests eight principles in PSB, representing a pivotal remit in national media systems:

- Universality of availability
- Universality of appeal
- Provision for minorities, especially those disadvantaged by physical or social circumstances
- Serving the public sphere
- A commitment to the public education of the public
- Public broadcasting should be distanced from all vested interests
- Broadcasting should be so structured as to encourage competition in good programming rather than competition for numbers
- The rules of broadcasting should liberate rather than restrict the programme-maker

In the same vein, Ofcom (2009) lists the key purposes of PSB as: informing our understanding of the world; stimulating knowledge and learning; reflecting the UK’s cultural identity and representing diversity; and alternative viewpoints. Despite divided opinions, it can be argued that there are at least four principles: providing information sources; quality programming; the universal service; and maintaining cultural diversity and identity. These subjects will now be addressed in turn.

Firstly, public broadcasters cater to citizens’ interests by providing informed, entertaining and educated content. In relation to this principle, PSB serves the public interest, accounting for general people, in contrast to the commercial interests of private operators (Iosifidis et al., 2007: 9; Richards and Giles, 2004). It is also required to offer a space for people in a democratic society to debate current affairs and events on the domestic and international agenda. Secondly, as far as information is concerned, quality content is a key remit for public broadcasters. In particular, the separation from both commercial and political forces, accuracy, impartiality and fairness of information are fundamental principles of PSB’s programming. By providing these programmes, the PSB can contribute to political pluralism and social diversity, in contrast to private broadcasters whose aim is to maximize profit. Thirdly, in terms of accessibility, the public broadcaster is obligated to provide a universal service for all citizens. As Raboy (1996: 10-14) already pointed out, programming provided by a public broadcaster should be available

to the entire population, irrespective of their income or geographical conditions. Universal availability of content associated with the diversity of programmes that the market cannot provide is a pivotal mission of PSB. Particularly as a way of ensuring citizens' access to PSB programmes in the digital era, European nations have imposed on cable platforms to carry public broadcasters' channels as an obligation (Council of Europe, 2002:17). Lastly, with respect to culture, PSBs are required to fulfil cultural diversity and uphold national identity at the same time (Jauert and Lowe, 2005 and Ofcom, 2009). While commercial broadcasters seek to deliver profit-generating programming, PSBs are required to foster national and regional identities through a variety of content. To an extent, the broadcasting system in Korea can be classified as a European PSB model, as noted earlier. This is manifested in looking at the Broadcasting Law of 2000 (Article 44), which defines the public responsibility of KBS, a main public broadcaster in Korea.

- (1) The System shall bring into reality the objectives and public responsibility of broadcasting and the impartiality and public interest nature of broadcasting.
- (2) The System shall endeavour to offer broadcast services of superior quality to the people, having no concern with their region and circumstances.
- (3) The System shall research and develop new broadcast programmes, broadcast services and broadcast technologies which may contribute to the public interest of the viewers.
- (4) The System shall develop the broadcast programmes, and broadcast them, which may promote the national culture and ensure a homogeneity of the nation, with objects home and abroad.

Nevertheless, KBS has hardly escaped criticism regarding its remits. Politicians and ruling parties in particular have utilised the broadcaster as an effective instrument for their political goals, as has seen in previous chapter. The close relationship between top management and ruling governments, biased programming and political pressure on news and current affairs has regularly drawn criticism (see Lee, 2008; Choi, 2010). A significant example is the 'partisan journalism' in public broadcasters identified by a scholar and member of the board of the KBS:

In 1997, when the opposition leader Kim Dae-Jung [The first president of the neoliberal government and Nobel Prize winner] ran for the presidency against a government candidate, public TV attempted to portray him as a leftist politician by televising a debate which was set up in effect to smear him. In a country where a Cold War was fought against Communism, for a candidate to be branded as a leftist was fatal. However, after Kim won the election, it immediately aired a special documentary lauding his long career as a fight for democracy. (Lee, 2008: 222).

Nonetheless, public broadcasters are at the centre of the media development linked with pay TV platforms, as we will elaborate upon in the following chapters. In short, the contemporary the PSB system varies from nation to nation but it is generally agreed that

it is a necessary social institution in a democratic society.

3.3.2 The challenges of the public broadcaster

Public broadcasters are under pressure in a changing media landscape. Certainly, their dominant position has been eclipsed by the advent of competitors. The study by Jakubowicz (2007a: 115-50) concisely summarises the adversarial factors surrounding PSBs in the evolution of the broadcasting market (See Table 3.2).

Table 3.1 Challenges to PSB as Electronic Communication Evolves

	1st Generation Broadcasters ^a	2nd Generation Broadcasters ^b	3rd Generation Broadcasters ^c	Non-linear, on-demand communication, pull technology
Funding Output	Public Advertising General	Advertising Subscription General (but more entertainment) Premium Pay TV	Subscription Thematic	VOD, Pay-Per-View
Licence Conditions Programme Expenditure Challenge to PSB	Strong Mainly originated	Moderate Mainly originated but a lot of acquired	Weak Mainly acquired	Unknown at this stage Unknown at this stage
	None, PSB Monopoly or domination	Loss of monopoly on audience. Need to compete for audience and (in most cases) advertising revenue	Loss of monopoly on most 'PSB genres'	Channel, schedules disappear; PSB broadcasters may have to gradually evolve into public service content providers
Effect of challenge	None	PSB identity, funding and legitimisation crisis, need to redefine remit and the way it is pursued	Need to invent institutional and financial guarantee of 'basic supply', if still required	

Notes: ^a Mainly Public; ^b Mainly commercial; ^c Mainly new digital thematic channels.

Source: Jakubowicz (2007a).

In Jakubowicz's study, TV has evolved from a linear stage in a monopoly market to a non-linear stage, driven by pull technology.³¹ In parallel with the evolution of the broadcasting market, public broadcasters have faced threats regarding funding, licencing conditions, programming expenditures. The elements listed by the scholar may not fully address the challenge element but they are clearly linked to the subject. The significance is that these factors do not have an effect alone but a combination of factors significantly challenges the public broadcaster. The thesis will examine these elements below in turn.

1) The liberal policy and construction of the dual system

³¹ In contrast to "push technology", where viewers consume content provided by media corporations, "pull technology" led broadcasting has transformed towards a competitive and interactive structure (Murdock, 2000).

Primarily, there are liberal policies in the broadcasting market. Under neoliberal politics, the monopolistic structure of public broadcasters has turned into a competitive media market. Neoliberal politics, inviting deregulation and market-oriented policies, has led to a restructuring of the media system (Barnett, 2007; Dahlgren, 2000; Hesmondhalgh, 2007). For years, regardless of political ideology, the encouragement of the market function in the audiovisual section has led to problems for public broadcasters. A turning point was the introduction of the dual system comprising public and private operators, removing the public monopoly system.

Table 3.2 Typology of national broadcasting system

System	1980	1990	1997	2007
Public monopoly (licence fee only)	Belgium, Denmark, Norway, Sweden			
Public monopoly (mixed revenue)	Austria, Finland, France, Germany, Greece, Iceland, Ireland, The Netherlands, Portugal, Switzerland, Spain	Austria, Denmark, Iceland, Ireland, The Netherlands, Portugal, Switzerland	Austria, Ireland, Switzerland	
Private monopoly (advertising only)	Luxembourg	Luxembourg	Luxembourg	Luxembourg
Dual system	Italy, UK	Belgium, Finland, France, Germany, Greece, Italy, Norway, Spain, Sweden, UK	Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, UK	Belgium, Denmark, Finland, France, UK, Germany, Greece, Iceland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Austria, Ireland, Switzerland
Korea	Public monopoly (mixed revenue)	Dual system	Dual system	Dual system

Source: Adapted from Hardy (2008: 58), Siune and Hultén (1998: 27).

Table 3.2 illustrates the transformation of the media market in European nations up to 2007. Until the 1980s, many European countries had a public monopoly system, except for the UK and Italy. However, more countries, such as Germany, Spain and France, have embraced the dual system, and the “pure” public service system has disappeared. In this sense, Siune (1998: 1) argues that PSB has now become “just one element” in the national media system, instead of the dominant element in Western Europe. The UK, holding the tradition of the PSB system, is not isolated from this trend. ITV, a commercial broadcaster, was introduced in 1955, Channel 4, in public ownership and funded by advertising, and Channel 5, a commercial station, were introduced in 1982 and 1997, respectively (see, Wheeler, 1997). As a result, the media market has transformed into a competitive environment with these new entrants, creating conflicts and tensions with the BBC.

2) The advent of commercial media and increasing competition

The expansion of commercial media undermines the power of public broadcasters. Social changes, coupled with neoliberal policy and deregulation, created the proliferation of commercial media. The pervasive commercialism of commercial and global media corporations threatens public broadcasters. A market driven media system, as Murdock (2000: 34) argued, raises the question of the PSB organisation, as the 'private enterprise has become the dominant model of cultural activity and market criteria of success.' The result is the decline of the public broadcaster's ratings compared with its competitors. European Broadcasting Union reports (2008) illustrates that the ratings of public channels have fallen significantly from 40 per cent to about 30 per cent since 1999. It reveals that the drop is closely related to "structural changes within the market and, in particular, to the increased use of digital broadcasting platforms and the internet, as well as the strong advances made by private TV channels" (EBU, 2008: 2). Although some public broadcasters have introduced thematic channels, general public channels have lost their audience in the commercialised media market. Additionally, public broadcasters are finding it difficult to produce quality programming when the yardstick on broadcasters is economic performance. In short, increasing commercial trends have caused dilemmas for public broadcasters in achieving their aims whilst adhering to their principles.

3) The technological revolution and emerging rivals

The recent ICT revolution and new competitors have weakened the incumbent public broadcasters. As Blumler and Nossiter (1991: 5) observed, the root impetus is that of "technological" innovation undermining the status of public broadcasters. The impact of new means of TV reception, such as cable TV and DBS, and the shift for public broadcasters has already been noted by a number of studies (see Council of Europe, 2006; Iosifidis, 2007; Lowe & Jauert, 2005; Scannell, 1995; Siune, 1998). However, the development of new types of TV consumption, led by recent ICT innovations, exacerbates the situation. This can be illustrated using the example of online TV viewership. According to the survey conducted in 2007, 45 per cent of European broadband users regularly watch TV via the internet, replacing their TV sets (cited in the European Audiovisual Observatory, 2008). Indeed, using a rapid broadband network

and convergence technology, the internet has become a preferred medium over the TV set due to its flexibility in terms of time and space. Additionally, the emergence of VOD services has threatened traditional TV consumption. Thanks to pull technology, where consumers can define their own contents with interactive downloading, such as personal video recorders (PVRs)³², audiences have become actively involved in the consumption of programmes (Withers and Reed, 2009: 12-5). In the digital era, new technology advances even enable viewers to create their own content and challenging linear broadcasters. Over a short period of time, linear broadcasters have faced two contradictory dilemmas: how to respond to technology-led innovation and at the same time, how to maintain their dominance in the new media landscape.

4) Crisis of funding structures in public broadcasters

The shift in the media environment has led to a funding crisis in public broadcasters. The rationale for compulsory payments for PSBs has eroded (see, Blumler and Nossiter, 1991; Debrett, 2009; Iosifidis, 2007). Associated with public principle, the unique funding model of the public broadcaster distinguishes itself from other broadcasters. However, the decline of the financing model significantly challenges PSB organisations from two perspectives: deciding on an investment capacity for new business and determining the programming of public broadcasters (Iosifidis, 2007: 56-62). Moreover, as Picard (2005) argues, the change in the link between the PSBs and their audiences has weakened the justification for public funding. According to Picard, PSBs need to improve their customer management, in the same way as pay TV operators, in order to consolidate their relationship with their viewers in the competitive era. Similarly, Peacock (2004: 43-5) argues that “workable competition” is a pre-condition to public funding of PSBs, claiming that the current PSB system in the UK is not sufficient to guarantee the public funding model. According to him, the current PSB institutions are unsatisfactory in that they display a lack of consumer sovereignty. In fact, the jeopardising of funds for public broadcasters restrains their activities. In short, the public broadcasters are under pressure

³² The proliferation of PVRs is one of the most significant factors for the PSB system. Although the proliferation of PVRs in the UK experienced a slow phase, its technological advantages have had an impact both on viewing and on PSB institutions, decreasing the price and introducing a user-friendly system. By means of time-shift content and the viewer’s own television schedules in a PVR system, the audience can control programmes by skipping or avoiding watching advertisements. This aspect of PVR in particular has caused a considerable threat to the advertising-funded PSB and commercial channels (see Barwise, 2004; Withers and Reed, 2009: 12-15).

has created an integrated network in which different networks can deliver many kinds of digital signals. In this environment, the conventional separated network can be converted into a multi-usage one in the integrated network (EC, 1997). A second interpretation is that of service convergence. Digitalisation offers conventional content for transmission across cross-media platforms via the same network. Previously separated data, text, sound and images are integrated into a single platform. For instance, in the case of smart TV, which has made headway across nations in recent years, one can access the internet and interactive services as well as the conventional TV function within a single platform. The final notion of convergence is that of industry convergence. Convergence drives previously separated media and communication corporations into an integrated organisation. In the convergence era, the media market is structurally integrated with mergers and acquisitions between companies. Competitors build alliances and joint ownerships are created to generate revenue in a convergent market. In fact, the chain effects of the three levels of convergence profoundly influence the media market.

However, convergence and digitalisation represent mixed concerns. The proponents of digitalisation argue the benefits and advantages in society, such as the increased efficiency in spectrum. The optimist's view on digitalisation, for instance, has already been predicted by Negroponte. In "*Being Digital*" in 1995, he asserts that "the key to the future of TV is to stop thinking about TV as TV" (1995: 48). He predicts that the proliferation of digital media and ICT innovation will provide new opportunities for corporations and unprecedented change to society. However, there is an alternative view digitalisation. The emerging convergence platforms promoted by digitalisation question the sustainability of the prevailing media policy and procedures (Murdock and Golding, 1999; Iosifidis, 2011; and Chapter 4). From an audience perspective, media organisations must assess how to deal with their interests in a digital era. For instance, public broadcasters have faced challenges on how to compete with digital competitors, as well as on how to embrace digital migration (see below). In the meantime, new players attempt to make inroads to the digital market, competing with incumbent players. In this sense, as Webster (2006a) pointed out, we must not forget technological innovation can be understood in the social context rather than by the technology itself.

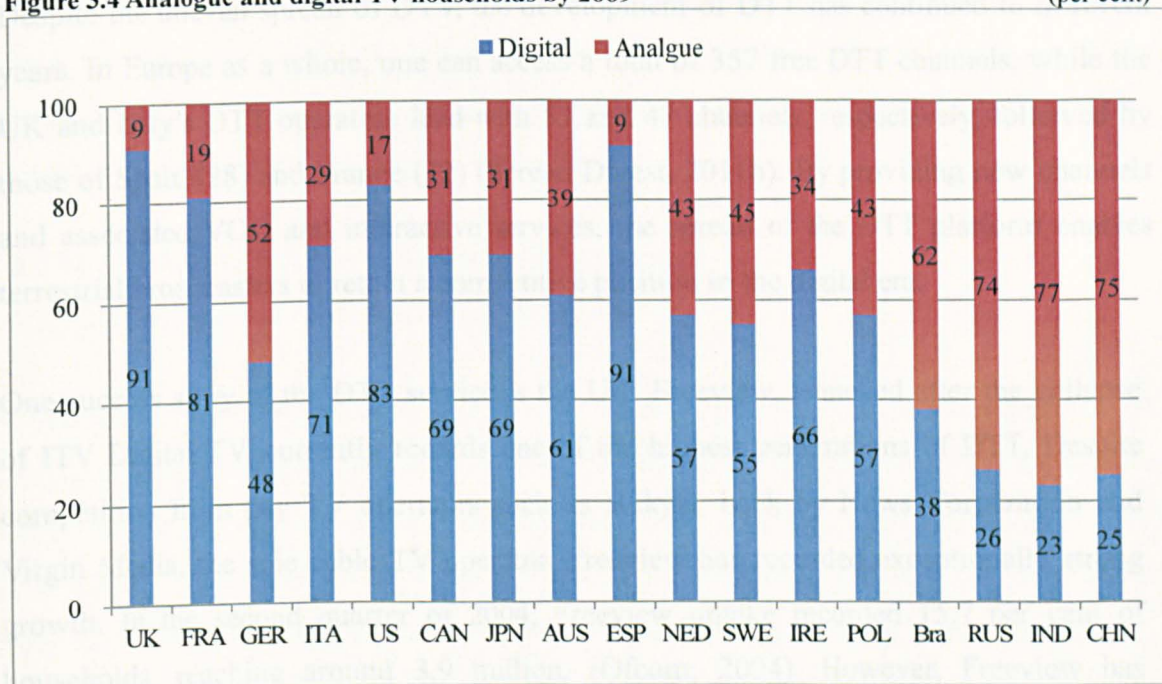
3.4.2 Digital transition and DTT policy

Digitalisation and convergence required a response from government. More precisely, two subjects have raised issues for policy-makers: the spread of Digital TV (DTV) and completing the Digital Switchover (DSO). The former refers to viewers receiving broadcast signals from digital technology, replacing the previous analogue system. Meanwhile, DSO means the end of the analogue terrestrial signal, with its substitution by a digital equivalent within a target period. The two interrelated schemes required policy-makers to set up new policies, establishing new order amongst the conflict in the media market (see Brown and Picard, 2005; Galperin, 2004; Given and Norris, 2010; Iosfidies, 2006; Trinidad et al., 2006). In the process of DTV, one critical concern is how terrestrial broadcasters convert to Digital Terrestrial TV (DTT), while pay TV operators, their competitors, migrate to their digital equivalent with commercial interests. The politics of DTT migration will be examined in more detail below, focusing on the role of the public broadcasters.

The increase in DTV penetration has emerged as an important government policy. By and large, DTV can be delivered by DTT and digital pay TV platforms. However, as most pay TV platforms are operated by private ownership with a commercial interest, public policy focuses on the analogue terrestrial broadcasters (Adda and Ottaviani, 2005: 169-71). The introduction of the DTT platform has been a vehicle to increase DTV penetration. In other words, the DTT policy is being pushed by the government for three reasons. Firstly, economic motivation encourages the development of. For consumers, it is the cheapest way to access DTV reception, using an analogue aerial and a conventional TV set combined with the installation of a digital receiver, without subscriber to digital pay TV platforms (Iosifidis et al., 2007: 108). Secondly, DTT migration allows the government to reallocate the previous analogue spectrum used by terrestrial broadcasters. Digital technology permits the previous spectrum of the same bandwidth with better to efficiency and consequently supplies more channels and other services (Adda and Ottaviani, 2005: 174-75). Lastly, but perhaps most significantly, DTT is seen as providing universal access as one of the important principles for public broadcasters.

Figure 3.4 Analogue and digital TV households by 2009

(per cent)



Source: adapted Ofcom (2010: 115).

Nevertheless, the development of the DTT policy has seen failures, despite government support. As a survival strategy against competing private operators, governments adopted free DTT service across nations (see Given and Norris, 2010). In Europe, Sweden (Boxer), UK (ITV Digital) and Spain (Quiero) launched DTT services as pioneering projects in the 1990s. However, the difficulties faced by the DTT service are illustrated by the collapse of both ITV Digital and Quiero TV in 2002. The collapse of early DTT cases was due to a lack of differentiated content, extreme competitors or expensive decoders (see Collins, 2002; Iosifidis et al., 2005). However early lessons resulted in players reinventing their digital strategies. Meanwhile, the DTV penetration was uneven across nations. Figure 3.4 shows the migration of DTV in some selected countries. For example, in the UK, DTV penetration records one of the highest levels, reaching 91 per cent as of 2009. By contrast, in Germany the penetration has reached less than 50 per cent because of the continuing popularity of analogue cable TV and satellite TV (Ofcom, 2010). The US switched off its analogue signal in 2009, while in 2009 France recorded over 80 per cent DTV penetration. Yet, in some countries, including China, India and Russia, DTV covers only approximately a quarter of total households, despite recent years' rapid growth. The uneven performance reflects the difficulties of digital migration, despite public intervention.

Despite the uneven spread of DTV, the development of DTT has continued to in recent years. In Europe as a whole, one can access a total of 357 free DTT channels, while the UK and Italy's DTT operators lead with 53 and 47 channels, respectively, followed by those of Spain (28) and France (22) (Screen Digest, 2011b). By providing new channels and associated VOD and interactive services, the spread of the DTT platform enables terrestrial broadcasters to retain a competitive position in the digital era.

One success story of the DTT service is the UK. Freeview, launched after the collapse of ITV Digital TV, currently records one of the highest penetrations of DTT. Despite competition from pay TV operators such as BSkyB, back by News Corporation and Virgin Media, the sole cable TV operator, Freeview has recorded exceptionally strong growth. In the second quarter of 2004, Freeview uptake recorded 15.7 per cent of households, reaching around 3.9 million, (Ofcom, 2004). However, Freeview has become the primary means for DTV reception, connecting 10 million households, equivalent to 38.9 per cent of all British households, as of 2010 (Ofcom, 2011). This performance surpasses satellite TV, recording 9.4 million digital subscribers in the same year. By learning from the failure of ITV Digital, Freeview employed a subscription-free scheme, coordinating with competitors (see Iosifidis, 2006). In addition, the BBC-led Freeview initiated the project with a partnership between BSkyB and Crown Castle to provide multichannel and interactive services. Without a doubt, the success reinforced the public broadcaster's position and committed the universal service in the digital era. It is argued that the digital transition by DTT offers an improved choice for audiences, whilst remaining within their economic means.

In Korea, by contrast, the debate over digital transition is an ongoing issue as of 2012. The detailed topics will be addressed in Chapter 7 and 8, in which the development of mobile TV and IPTV, respectively, will be examined. As in the UK, public concern over the digitalisation process began as early as the 1990s but it proved to be a contested subject amongst stakeholders. It included the controversy over DTT standards (whether to use the European or the US model) which lasted up until 2004 and a delay in the proposed DTT plans until 2012, although DSO is expected in 2012. It argues that, despite the optimistic view on digital migration and the advantages of DTV, the process brought to pose a power struggle among stakeholders. In summary, convergence and the

diffusion of digital media is a remarkable phenomenon in the 21st century media environment. Technological innovation has led to the integration of markets, corporations and media consumption. However, this shift raised the question of the viability of media policy to address current issues.

3.5 The spread of commercial trends and concerns

3.5.1 The expansion of the commercial market

Commercialisation encompasses the media market. Eroding the public sphere in the media industry, commercialisation is the most widely employed concept to explain the shift in the media landscape (Albarran and Chan-Olmsted, 1998; Dahlgren, 2001; Hamelink, 1995; Picard, 2008; Webster 2011). Commercialisation is referred to by Dahlgren (2001: 70) as ‘the balance between public responsibility and private profit’, with the former being steadily surpassed by the latter. To put it simply, commercialisation means the media being increasingly dependent on market processes, aiming for maximum profit.

Figure 3.5 Consumer spending on entertainment by platforms



Source: Screen Digest (2011b).

Commercialisation is driven by two interrelated agents in social change. Partly they are driven by recent technical innovation and the shift of the economic basis in media organisations (Thompson, 1995: 76-8). In the case of the press industry, technical innovation has produced the commodities of the industry. At the same time, for the press industry, the social change towards technology and the growth in the marketplace has changed the financing source to advertising revenue. Additionally, in part, the stress of business practices under the liberal umbrella has accelerated the evidence of the

commercial trend (Mosco, 1996: 202-3). In other words, the maximisation of profit and the market-orientated policy causes the expansion of commercialism. In fact, the diffusion of commercial TV and deregulation reinforced the growing evidence of commercialism.

The commercial trends can be easily identified in the audiovisual market. With the arrival of a variety of platforms relying on advertising revenue, entertainment content has grown rapidly. One survey demonstrates consumer spending on entertainment content as growing by 63 per cent between 2002 (\$145.1 billion) and 2010 (\$235.3 billion) in North America and Europe (Screen Digest, 2011). What is noteworthy is that pay TV platforms, especially cable and satellite TV were the main contributors to the strong growth. These showed an increase of 145 per cent during the same period and accounted for almost 60 per cent of entertainment content (Figure 3.5). Yet the pursuit of commercial revenue is not limited to the commercial media. As a response to the aggressive commercial environment, public broadcasters actively sought commercial activities. One remarkable example is the case of the BBC Worldwide service, the BBC's commercial arm. In order to generate revenue, the corporation expanded its activities into the global marketplace, launching channels such as 24-hour news and selling programming (see Chalaby, 2009; Murdock, 2000). However, as noted earlier, the movement has drawn criticism.

Table 3.4 The share of advertising market by sectors

	TV	Radio	Newspaper	Magazine	Outdoor
1970	14.1	20.6	46.8	6.5	12
1975	41.3	16.8	32	2.7	7.1
1980	29.8	12.5	35.9	3.9	17.8
1985	36.1	5.8	37.7	4.2	16.2
1990	29.9	4.8	42.6	5.8	16.9
1995	26.3	3.5	43.3	3.6	23.4
1997	28.8	4.3	39.5	4.0	23.4

Source: KFAA (2008).

In Korea, the advertising market has grown alongside the economic development and the inception of commercial media. However, the market share in advertising demonstrates a considerable variance with the change of the media landscape. Table 3.4 shows the share of advertising market before the inauguration of the neoliberal government. The press sector led advertising shares for a number of decades. It occupied approximately 40 per

cent up to 1997, except for a brief period in the mid-1970s, while the TV sector controlled the second largest sector, with around 28 per cent in 1997. Meanwhile, in 1970, radio was the leading sector but it lost most of its advertising revenue to its competitors, recording just 4 per cent in 1997. This demonstrates the shift of shares reflecting the change in media development.

3.5.2 Commercialisation and public concerns

Nevertheless, the spread of commercialism and corporate-dominated media market raised public concerns. The spur of commercialism motivates reliance on advertisers, who pay for influence on programming, regardless of whether it is in a private or public organisation. In programming, broadcasters compete to air the most highly-rated programmes. In such a commercially-orientated media environment, it is difficult for broadcasters to deliver socially desired programmes. For broadcasters, the critical factors become those of revenue generation, such as audience size and advertising revenue, rather than serving the public interest. Tunstall and Palmer (1991: 43) describe it as:

Competition for audience between a substantial number of channels: direct inter-channel competition for advertising; aggressive competitive programming schedule; a sharp decline in serious programming in peak hours; aggressive competition for popular talent, leading to star salary inflation; wholesale resort to imported programming; extension of the broadcast day to include most of the twenty-four hours; aggressive scheduling of repeated programming (including daily 'stripping' of series originally shown weekly).

Additionally, it is problematic that media operators consider the audience as consumers, not citizens, in the commercialised structure. In the PSB model, people are treated as citizens, but in the commercial media environment they are regarded as clients or consumers, who add revenue for media corporations (Raboy, 1996: 9). In Korea, critics argue against the commercialised KBS in respect to funding structure and scheduling. Before further discussion, let us look at the funding structure in KBS. Admittedly, up until 2012, the licence fee for KBS has been fixed to 30 thousand KRW (approximately \$25) per household, annually since 1980 when the military government first imposed it. Indeed, there have been many attempts to reform the funding model for KBS, concentrating on raising the licence fee and decreasing (or abolishing) advertising revenue. The eventual goal was to defence the broadcaster from commercial interests. However, as the outline was drafted several times without political colour, a number of

conflicts arose among political parties, rival broadcasters and civil society and in the end, failed to reach a compromise. In this circumstance, one criticism is that it heavily relies on commercial sources, despite a mixed funding model. From the 1980s onwards, the share of advertising revenue rose to more than 50 per cent per year, while the licence fee has been frozen until 2012 (see Appendix 2). In the most extreme case, in 1988, 73 per cent of the revenue originated from commercial sources. The critical fact, as studies (Kazuma, 2005; Lee, 2008) identified, is that KBS has been seeking commercial interests by opting to air commercially-orientated programming as opposed to socially desired content. Accordingly, with its considerable leaning towards advertising income, KBS is far from being free from ratings competition (Kim, 2002: 73). Furthermore, this is manifested by looking at public index. For example, the Public Service Index, the degree of public interest in public broadcasters developed by KBS and the Korean Society for Journalism and Communication Studies, demonstrates KBS2 was marked at 67.7 points lower than that of the public MBC and the commercial SBS, with 69.4 and 69.9 points in 2002, respectively (Kazuma, 2005). To sum up, although the expansion of private broadcasters has been influential in the rise of the commercial media market, it has nevertheless eclipsed the public sphere in a democratic society.

3.6 Conclusion

In this chapter, we have traced key global trends surrounding the national media system over last decades. We have presented four driving forces influencing the media system: the debate on globalisation and politics; the challenge of the public broadcasters; the advent of digital media and convergence; and commercialisation. What should be noted is that these elements, as Hamelink (1995) argued, are not exclusive of each other and the accumulated effects of these current trends accelerate the change of the media ecology. The identified characteristics in the current media environment must be reiterated. Firstly, it has been demonstrated that globalisation and the advent of global corporations have significantly eclipsed the government sovereignty. In addition, it has been recognised that giant media corporations and their impact on media market raises public concerns, for fear of concentration. Secondly, it has identified that public broadcasters are confronted with major challenges in the shifting media ecology. The remits of public broadcasters in a democratic society are undeniable, but the change of the media environment has left them marginalised. In particular, the formation of the

competitive structure has forced the public broadcaster to redefine its commitments. Thirdly, in terms of a technology perspective, it has identified that convergence together with digital transition accelerate the shift of media landscape. However, it has also been noted that the transformation is not always entirely beneficial and can result in the establishment of a new order in stakeholders. The last remarkable feature in the media market is the pervasiveness of commercialisation. Commercial trends, thanks to the diffusion of commercial media have changed broadcasters into profit-oriented structure rather than catering to the public interest.

So far, we have attempted to identify major trends in the global marketplace and sought illustrations in the context of Korea. Prior to turning to the next chapter, it is important to bear in mind that policy-makers confront problems because the traditional regulatory justification is undermined in the rapidly transforming media landscape. The question remains: how can the government embrace new pay TV platforms in an unpredictable and turbulent media environment, while at the same time, harmonize conflicting stakeholders' interests? The remaining question is how the government embraces new pay TV platforms in unpredictable and turbulent media structures accompanied by conflicts of interest amongst stakeholders.

Chapter 4 The architecture of the pay TV market and media regulation

4.1. Introduction

This chapter looks at the nature, underlying features and architecture of pay TV, prior to an in-depth examination of the Korean example. Additionally, it explores the justification for media regulation and challenges within the shifting media environment. The pay TV system is a very complicated media institution and it is a battleground for media corporations competing for the profit. Perhaps, it is better characterised by the interrelated components of private corporations regulated by the regulatory institution. Nevertheless, pay TV's complicated structure coupled with the ICT revolution has made it difficult for researchers and policy-makers to define the platform.

In January 2007, Ofcom received a submission from the four major pay TV operators, namely British Telecommunication, Setanta Sport, Top-Up TV and Virgin Media. These operators demanded that Ofcom formally investigate the pay TV sector for BSkyB's monopolistic practices. The core argument of BSkyB's rivals was that the pay TV industry was not working effectively, claiming competition was being prevented, restricted or distorted (Robinson, 2010). In 2010, after three years of evidence gathering and deliberation, Ofcom ruled that BSkyB must offer its valuable sports content to other retailers at a wholesale price set by Ofcom.³⁴ Yet neither side was satisfied. While BSkyB claimed the measure was unacceptable and represented an unwarranted intervention, the other pay TV operators proclaimed Ofcom's decision disappointing albeit a step in the right direction (Fenton and Parker, 2010). This example is one of many disputes that represent the contentious nature of the pay TV market between interested parties. As seen in the above case, identification of the concept, structure and media policy is a precondition to an adequate investigation of the pay TV market. This chapter is divided into four sections. Firstly, the definition and characteristics of pay TV are provided. It will then examine the value chain and the growth of pay TV associated with public broadcasters. Next, it will set out the challenges faced by the existing regulatory regime and public discussion in embracing new platforms. Finally, it will address the Korean regulatory structure during the neoliberal government.

³⁴ See Competition Commission (2011) and Ofcom (2010).

4.2 Mapping the pay TV industry

4.2.1 The concept of the pay TV

There is a growing body of literature on pay TV development. The studies can be classified into two perspectives. One school treats the platform in a sociopolitical context, focusing on the new media and its impact on society (see Bae and Baldwin, 1998; Lievrouw and Livingstone, 2006; Kuhn 2007; Kung et al., 2008). Stressing the economic aspect, another school focuses on structure, conduct and performance of pay TV, employing the industrial organisation theory to understand the platform (see Jeon, 2005; Lee and Yun, 2000). Despite the bulk of studies ranging from political economy to industrial organisation theory, scholars have paid scant attention to the nature of pay TV. Therefore, in this section, it is necessary to identify the nature, features and related issues of the market.

Pay TV, or subscription TV, is a TV service which provides multichannel TV to consumers under a pay system (Brown, 1999; Gollogly and McGarvey, 1997; McCutcheon, 2006). However it needs elaboration to identify its character. Firstly, one remarkable character of pay TV is that operators provide multichannels via electronic devices. For decades, technological constraints and scarcity of spectrum put a limit on channels in the free-to-air system. However, new technology enables broadcasters to overcome this limit of channel capacity and to offer multichannel services. Furthermore, the recent digital revolution and convergence allows pay TV platforms to not only offer multichannel services, but also new services such as VOD and downloading. Secondly, despite different platforms, most pay TV operators use an electronic device, such as a set-top-box, to provide services in contrast to free-to-air. The electronic device, for instance, conditional access system controls accessibility to any services offered by pay TV operators (Amstrong, 1999: 258). Also these services are encrypted between operators and subscribers to prevent unauthorized access by those who do not enter into a contract. In this way, the pay TV operators can discriminate between subscribers and non-subscribers, whereas free-to-air transmissions are the universal service. However, technology is merely one perspective in defining the features of pay TV.

Thirdly, in light of economic dimensions, pay TV is a capital-invested business. It requires a high fixed cost and relatively low variable costs (Brown, 1999: 7). This condition means, if operators connect more subscribers in certain regions, it can generate more revenue with relatively low additional costs. Generally, in order to construct the pay TV structure, operators need capital investment to build broadcasting equipment or networks (whether optical fibre networks in cable TV, or wireless networks in DBS) to connect subscribers. In addition, economic performance is a major indicator for success for pay TV operators. For pay TV operators, economic outputs such as turnover and profit are key criteria in evaluating their performance, in contrast to public broadcasters.

Lastly, subscribers are considered a significant aspect in the pay TV business. The success of the pay TV service is directly dependent on subscribers because a regular subscription fee paid by subscribers is a main funding source, together with advertising revenue. In 2008, for instance, subscription revenue created by the pay TV sector in the UK was recorded at \$4.3 billion, followed by advertising and licence fees of \$3.5 billion and \$2.6 billion, respectively (Ofcom 2010: 51). As a private good, (potential) customers will only pay if the service, offering mostly quality programming, provides value for money (McCutcheon, 2006: 44-5). Using this logic, pay TV operators actively attempt to attract subscribers and to provide popular content, particularly minority programming that other competitors are unable to provide at the same time. The number of subscribers can also be a deciding factor for advertisers. Having this unique relationship with customers, there is much information available to understanding the operations of pay TV. For example, churn rate, referring to the number of subscribers cancelling the service as a percentage of the average, shows the condition of operators (McCutcheon, 2006: 49-50). A low churn rate means a satisfied customer, while but high churn rate means the enemy of operators. In short, the direct relationship between pay TV operators and subscribers is a key element for success in pay TV services.

Before moving onto other subjects, let us look at the advent of pay TV and its audience. The development of pay TV platforms accelerates fragmentation in audiences. Fragmentation refers to “the breakdown of mass audience into small audience” resulting from the process of diversification of audiences to media access (Picard, 2002a: 109). In the previous public broadcasting monopoly system, the bond between broadcasters and

audience is compounded and reciprocated (Blumler et al., 1992: 17-8). However, new channels offering commercial content and multichannel platforms, destroy this linkage. Whereas new entrants are inclined to seek smaller niche audiences by offering unique content, fragmentation is accelerated in this multichannel era. In line with fragmentation, evidence clearly shows a shift in the amount of time spent on media consumption.

Table 4.1 Media Usage per Person per Day (minutes)

	Newspaper	TV	Radio	Magazine	Internet	Total
1998	40.8	193.6	68.3	7.6	30.4	340.7
2000	35.1	174.1	61.2	10.5	42.4	323.1
2002	37.3	163.7	70.6	13.0	77.0	361.6
2004	34.3	155.2	43.6	9.0	67.1	309.3
2006	25.1	146.4	37.0	6.2	90.7	305.4
2008	24.0	116.7	40.4	4.9	82.0	268.0

Source: KPF (2007, 217; 2009, 195).

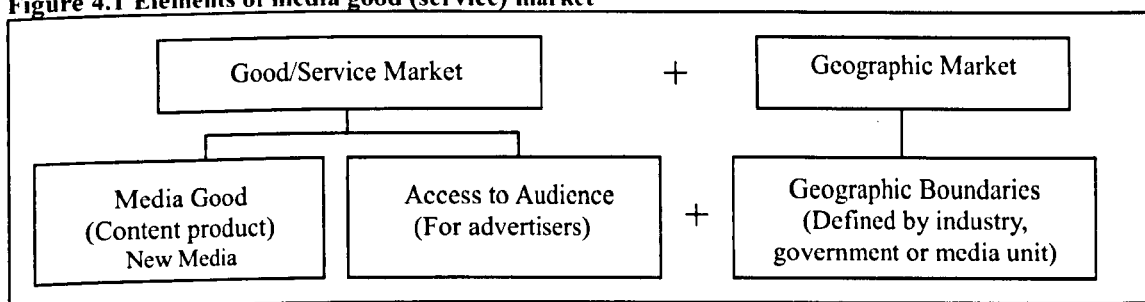
Table 4.1 illustrates media usage during the neoliberal government in Korea. An interesting observation is that conventional media, such as newspaper, TV and radio, continued to decline over time, while the internet showed an upwards trend. In 1998, people in Korea spent about 193 and 30 minutes of their day to watch TV and the internet, respectively. However, a decade later, time spent on TV decreased to 116 minutes, while that of the internet rose to 82 minutes, recording a more than twofold growth. Following this trend, the arrival of pay TV in Korea is expected to intensify competition between broadcasting operators to attract fragmented audiences. To summarise, the features of pay TV services, in terms of technology, economy and distinctive audience relationship, represent a different types of market structure.

4.2.2 The construction of the pay TV market and value chain

It is often argued that the media market is a distinctive structure that, accordingly, should be treated in a differently. The market is defined as a place where consumers and sellers go to determine the price and quality of the goods produced. Yet the media market is different from other industries because it is understood as having a product dimension and a geographic dimension (Picard, 1989: 17). The former refers to when media corporations create TV programmes, or the newspaper or media-related product, while the latter means where the product is provided. In other words a “dual product” system characterizes the media product. According to Picard, the product market consists of a “media good (service)” and an “advertising market”, although media firms

finally create only one product (see Figure 4.1). Whereas the former means media operators deliver programming to an audience, the latter refers to advertisers' access to customers, and providing advertisements. Regarding the pay TV market, the dual product system represents two significant features. Firstly, appealing content, the final media good, is a significant factor in deciding the success of pay TV operators, as has been seen with BSkyB in the UK, which has a monopoly on sports rights and films (Ofcom, 2010). Secondly, advertising revenue, together with subscription fees, is the main funding source for pay TV corporations. Accordingly, it is inevitable that the arrival of pay TV operators intensifies competition between broadcasters who also heavily rely on advertising revenue.

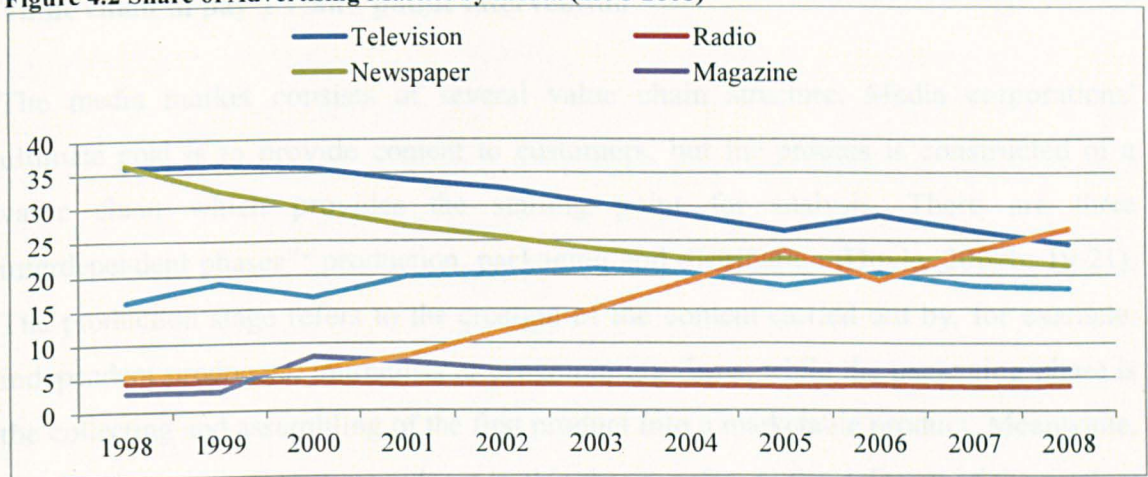
Figure 4.1 Elements of media good (service) market



Source: Picard (1989: 21).

In Korea, the development of new media has eroded the share of conventional media in the advertising market. During the neoliberal government, the total advertising market size reached 6,396 billion KRW in 2007 from 2,779 billion KRW in 1998 (KFAA, 2008). However, this growth is attributed to the creation of new media, such as pay TV operators and online media. New media emerged as a major sector as shown by advertising expenditures, while TV (terrestrial broadcasters) and the press industry lost their advertising share (see Figure 4.2). In 1998, with the inauguration of the neoliberal government, the share of new media accounted for around 25 per cent but reached almost half of the market share by 2008. It is argued that the new media took over the share of traditional media in the advertising market.

Figure 4.2 Share of Advertising Market by media (1998-2008)



Note: The TV sector includes terrestrial TV advertising revenue of the national, public and private channels as well local stations. New media revenue includes cable TV, DBS and mobile TV, internet and out-door advertising.

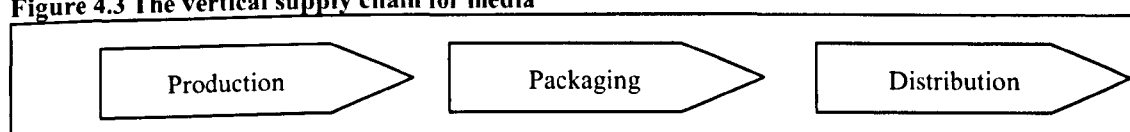
Source: KPF (2009: 212).

Returning to the discussion of the media market, a geographic market is another key component of the media market. The geographical boundary is delineated by industry, government or media corporations which determine the market structure (Picard, 1989). Historically, media business, particularly TV services, has been limited to national areas, with some exceptions. At this phase, it is necessary to address two subjects referring to media market and policy. The first subject concerns how policy-makers define the pay TV market caused by convergence. It causes policy-makers difficulties in defining market boundaries for regulatory purposes. This thesis assumes the pay TV market is a place where broadcasters or telecommunications compete to attract subscribers and generate revenue. The second subject is that of the conventional geographical condition being persistently removed by technological innovation. For instance, the development of DBS and spread of the internet beyond national boundaries meant the media market no longer understood its physical condition. One critical matter arising from this condition is the manner in which the government sets up media policy to sustain a competitive market structure, while domestic and global corporations compete in the domestic marketplace. This thesis assumes the nation is still at the centre of formulating and regulating the media structure. In short, the media market is different from other industries due to its dual product market system and geographical dimension. However, the shift of media landscape redefined the media market, while the national media system became a place of competition between local and global corporations.

Value chain in pay TV and public intervention

The media market consists of several value chain structure. Media corporations' ultimate goal is to provide content to customers, but the process is constructed of a value chain which provides the starting point for analysis. There are three interdependent phases³⁵: production, packaging and distribution (Doyle, 2002b: 19-21). The production stage refers to the creation of the content carried out by, for example, independent producers, journalists or programming firms, while the packaging phase is the collecting and assembling of the first product into a marketable product. Meanwhile, the distribution stage, a main subject in this thesis, refers to the delivery of the product to the consumer via media platforms (see Figure 4.3). However, as Doyle (2002b) observes, no single stage is more important than another because all the phases are interdependent.

Figure 4.3 The vertical supply chain for media



Source: Doyle (2002b: 18).

As far as the pay TV industry is concerned, Ofcom analyses four different, yet interconnected layers (2010: 64-5), when investigating unfair competition in the UK market.

- Content production: creating and recording content which can be aired.
- Wholesale channel provision: the aggregation of content to bundle into channels.
- Wholesale platforms' service provision: enabling retailers to control the supply of content to consumers.
- Retail service provision: the bundling of channels into a package to retain consumers.

Conventionally, the vertical value chain is separated and owned by a different entity. However, when looking at the value chain in recent years, one commonly observed phenomenon is vertical integration. The largest media corporations tend to widen their market power by means of investments or by mergers and acquisitions in the supply chain process in the relevant market (see Albarran, 2010). For media firms, vertical

³⁵ Todreas's study (1999: 3) argues the structure is broadly divided into 'content suppliers' and 'conduit Networks' forming connections between producers and consumers: content consists of the creating and packaging stage, in terms of the upstream of the supplier; the distribution and display stage is the key component of the conduit stage, that is the downstream distributors, including platforms, for instance cable operators, satellite, free-to-air television and the manufacture of receiving equipment for the consumer.

integration is the commonly adopted strategy in order to create an economy of scale (Brown, 2000: 15). However, the growing public anxiety is not concerned with the media firm's expansion but its undue concentration or abuse of market power, as we will see below. For instance, with the development of bottlenecks, in which one operator monopolizes any single stage, the competitive structure is threatened at the cost of rivals and consumers. Accordingly, to secure a healthy market structure, public intervention is inevitable when the value chain is exploited by a few operators.

4.3 The development of pay TV and politics

4.3.1 The creation of pay TV and building new order

This section looks at the expansion of the pay TV sector and politics, focusing on public broadcasters. The growth of the pay TV sector and expansion is notable. According to Ofcom (2010: 45), the development of the pay TV industry can be defined in three phases, in line with technology innovation: birth of pay TV in the 1980s, digital transition after the 1990s and rapid take up of digital technology after 2000. Firstly, the creation of the pay TV market was led by cable TV and satellite TV, which is still the leading platform delivering multichannel services (see Chapters 5 and 6). For example, in the UK, acting within the Cable and Broadcasting Act of 1984, the cable TV market has grown under the franchise system. Secondly, since the 1990s, one can witness the emergence of digital TV. As seen in the previous chapter, new digital platforms have driven existing pay TV operators to migrate their subscribers to digital. Yet it is not enough to address the evolution of the pay TV market without dealing with recent technology-based means of TV reception, such as mobile handsets (see Chapter 7) and the broadband network (see Chapter 8). Finally, the last stage is the period when one can see the rapid growth of digital platforms, including the development of DTT and the implementation of DSO. Indeed, the development of pay TV is certainly motivated by technological innovation from an analogue to a digital era.

However, the rise of the pay TV market has replaced conventional method for TV reception. Table 4.2 shows the penetration of pay TV and number of households in Asia. In this region, multichannel TV reception reached more than 45 per cent as of 2009, despite the late launch of pay TV platforms compared to other regions.

Table 4.2 TV household and subscription TV penetration in Asia as of 2009 (thousand and per cent)

Region	Population as a % of Asia-Pacific	TV households (000)	Multichannel households (000)	Multichannel household as % of TV HH
Australia	0.7	9,648	3,454	35.8
North Asia	45.1	462,220	205,688	44.5
South Asia	38.9	156,566	102,394	65.4
South East Asia	15.2	94,014	13,632	14.5
Other	-	-	1,000	-
Asia & the Pacific	100.0	721,610	326,168	45.2

Source: CASABA (2009).

Referring to the national case, an example of pay TV development can be seen in the UK. Unlike the US market where cable TV operators dominate the pay TV industry, the DBS operator leads the industry. In the UK, BSkyB dominates the pay TV industry (see Table 4.3). BSkyB, created by the merger of Sky TV and British Satellite Broadcasting in 1990, had connected more than 10 million subscribers by 2010. The sole cable TV provider, Virgin Media, created by the merger of NTL and Telewest in 2006, reached approximately 3.4 million subscribers in 2010. Both leading operators initially serviced analogue technology but successfully converted their subscribers to digital. Moreover, as Table 4.3 demonstrates, the advent of digital DTT, Freeview, gave the market a more competitive structure.

Table 4.3 Multi-channel development in the UK (number of homes in '000s)

	Satellite TV	Cable TV	DTT	Total
1992	1,893	409	-	2,302
1994	2,754	735	-	3,489
1996	3,542	1,399	-	4,941
1998	4,117	2,471	-	6,588
2000	3,963	3,352	303	7,618
2002	5,732	3,794	794	10,320
2004	6,946	3,277	2,075	12,036
2006	7,932	3,297	6,363	16,815
2008	8,860	3,405	12,017	21,276
2010	10,262	3,664	16,882	23,831

Source: BARB (2011).

The diffusion of commercial broadcasters profoundly impacted the media market. Unsurprisingly, technology-centered pay TV platforms lie at the heart of the shift. Put simply, the development of new media builds a “new order” where old order is replaced by new platforms incorporating socio-political changes (see Dyson and Humphreys, 1988; Siune et al. 1992). The means of “new order” is arguable but it includes: the decline of the monopolistic structure; deregulation and the application of market principles; and the erosion of national, cultural and economic sovereignty by the advent

of global media. However, a marked feature is that the new order is accelerated by technological innovation. For example, the internet has emerged as one of the primary vehicles of content distribution and TV viewing, challenging both free-to-air and subscription TV. As Lievrouw and Livingstone (2006: 23) argue, new media invented as a 'product of the continuous hybridization of both existing technology and innovation' disturbs the current media market. McQuail (2004: 19) put it:

The advent of computerization (and its essence in digitization) has undermined or bypassed the original core industrial process of mass production and dissemination from center to periphery, from the few to many. Ever since communication satellite and computer networks came into service of the media, a step change in the media phenomenon has been proclaimed. It no longer has to be a process of one-way transmission but also be interactive. It is no longer so limited to the local or national territory. It no longer has to be "massive" either in terms of uniformity of content or the mass attention of the public. It is fragmented, diverse, and ever changing to suit the need of senders and consumer-receivers. ... the media no longer has to be dominated by a few massive media providers nationally or internationally. (2004: 19)

The shift calls for a new relationship, a destabilizing of the existing media system. Let us reiterate the core issues in connection with pay TV. Firstly, the advent of pay TV platforms has established a sharp competitive structure. The dual system associated with the invention of pay TV outlets has removed the public monopoly system. In this structure, the media corporations' interests lie in how to extend their services and uphold existing power against new entrants. On the other hand, how to formulate a healthy market of fair competition is an ongoing issue for policy-makers. Secondly, the emergence of new media has changed the audience's role in the media market. Traditionally, the audience is treated as a passive agent in media consumption. However it is a truism today to say that since the unprecedented technological upheaval period, audiences are conceived as "customers", "end users", "citizens" or "users" in the new media industry. According to Livingston and Lunt (2007), the citizen and consumer are placed at the centre of the new regulatory structure of the new media landscape. In fact, media users are more empowered in line with the spread of broadband services, digital TV and convergence platforms, which puts more choice and accessibility in their hands.

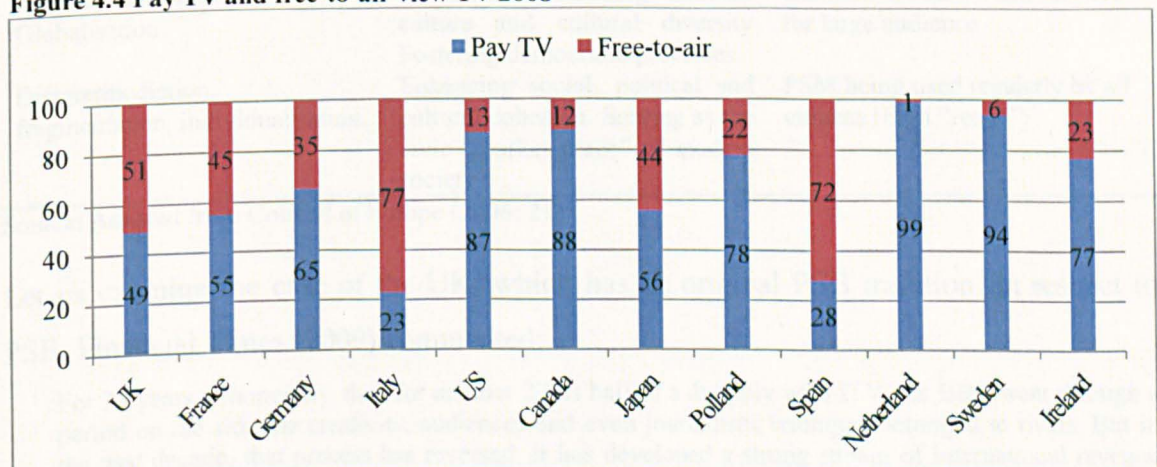
Thirdly, the "interactive" services provided by media operators disrupt conventional media consumption patterns. For instance, the use of DVRs surpassed 40 per cent of all UK households and is expected to reach 73 per cent by 2013 (Screen Digest, 2010). And DVR owners record an average 15 per cent of their total TV viewing, of which 70 per

cent is with an aim to skipping advertising. In this circumstance, broadcasters must find counter-measures to offset ad-skipping and construct a new relationship with the audience. Last but not least, the existing regulatory system is under pressure in the emerging new order. As we will see below, the shift of media landscape, compounded by such issues as convergence and global institutions, undermines justifications for government intervention. To summarise, the advent of new media platforms is establishing a new order and relationship in the media market.

4.3.2 The diffusion of the pay TV and the response from public broadcasters

The growth of pay TV platforms creates tension in incumbent media operators. The development of multichannel platforms gradually eclipses ratings and revenue in existing operators. One feature is the challenges faced by free-to-air broadcasters (see Chapter 3) because pay TV outlets are replacing free-to-air reception. In 1995, for instance, 52 per cent of households in the member countries of the OECD accessed TV via terrestrial TV, whereas it fell to 35 per cent in 2002 (OECD, 2007a). Despite some variances between nations, the percentage of pay TV substituting terrestrial broadcasting has risen significantly (see Figure 4.4). Except for Italy and Spain, pay TV is the more common way to access TV in selected nations, as of 2008.

Figure 4.4 Pay TV and free-to-air view TV 2008



Source: Ofcom (2010: 56).

In this situation, public broadcasters are forced to re-establish their remits to cope with these challenges. Confronted by commercial and pay TV competition, public broadcasters face a harsh dilemma and a struggle to survive in the market (Humphreys,

1996; Iosifidis, 2007). A majority of studies are devoted to the response of PSB in a competitive market structure. According to Siune and Hultén (1998)'s study, one option is the 'adoption' strategy in which broadcasters resemble commercial broadcaster's channels, while a 'purification' strategy is employed in a very limited way. On the other hand, Barnett (2007) and Scannell (2005) claim public broadcasters attempt to compromise. Despite divergent conclusions, it is accepted that public broadcasters do react to intensified competition. As summarised by the Council of Europe (2006) in Table 4.4, public broadcasters have actively responded to survival in the new media landscape (see also Barnett, 2007; Debrett, 2009; Graham, 2000; Iosifidis 2010; Steemers, 2003). Evidence shows that public broadcasters still command a strong position, reinventing their commitments in a shifted structure. The new context of PSB, as Baedoel and d'Haenens (2008: 351-2) observe, can compete with commercial platforms, serving the public interest in ways which commercial broadcasters cannot achieve, through 'reliable information, innovative culture and deliberate education' programmes.

Table 4.4 The challenges of the public broadcaster and consequences

Challenge/background	Public service obligation	Consequence for the PSM remit and service
Mainstream, mass market offerings not meeting individual needs	Serving the individual citizen	Providing content and services to small groups with specific needs: citizens as individual consumers
Internationalization, Globalisation	Sustaining, defending national culture and cultural diversity Fostering democratic processes	Distinctive content and services for large audience
Disintermediation, fragmentation, individualisation	Enhancing social, political and cultural cohesion. Serving as the civic "market place" of modern society	PSM being used regularly by all citizens (high "reach")

Source: Adapted from Council of Europe (2006: 21).

Let us examine the case of the UK, which has an original PSB tradition. In respect to PSB, Financial Times (2009) commented:

For 33 years a monopoly, then for another 27 as half of a duopoly with ITV, the BBC went through a period on the sideline creativity, audiences and even journalistic triumphs belonged to rivals. But in the past decade, that process has reversed. It has developed a strong stream of international revenue and made technological leaps such as iPlayer, a pioneering online video service.

This article shows how the PSB retained its position by reinventing its remit in the digital era. In the same vein, as noted earlier, James Murdoch of News Corporation claims that the remit, the size and the ascendancy of the BBC is so strong that the role of private broadcasters has been weakened. Indeed, the BBC has been under pressure

from commercial broadcasters since 1950. However, as seen with the success of iPlayer, launched in 2007 as a catch-up service, and Freeview, the broadcaster has exploited the new media environment as an opportunity with a strong rather than passive attitude. As far as the BBC is concerned, public broadcasters have more significant roles in a commercial media environment than ever before, reinventing their fundamental philosophy, which commercial players cannot provide due to their profit seeking purpose. It may be argued that PSB organisations still continue to have a crucial role in this different media ecology. In short, the expansion of commercial TV has driven the growth of pay TV and threatened the existing terrestrial broadcasters. Opinions vary as to the relationship between public broadcasters and new TV platforms, as it creates conflict in establishing new order. During this process, the public broadcasters attempt to survive, reinventing social remits.

4.4 The challenges of media policy and regulation

4.4.1 The rationale for public intervention in media market

This section examines the underlying rationale for regulation and policy in broadcasting and pressure in the digital era. Broadcasting has been subject to extensive statutory regulation. Whereas the press industry was distanced from government and public intervention, broadcasting has been under pressure from political intervention (see Wheeler, 1997: 17). Additionally, unlike the telecommunication sector, stressing “common carrier” principles, the broadcasting sector is the subject of both industrial and societal regulation, such as content, ownership and activities. Particularly, the public interest is a much referred term to justify media regulation (see Baldwin and Cave, 1999). However, it still remains vague and contentious, requiring further elaboration.

The rationale in media regulation can be explained on three grounds: technological constraints, sociopolitical and economic justification. Clearly one of the most prevalent arguments is technological constraint. For decades, “spectrum scarcity” was the principle of the rationale for government intervention (Humphreys, 1996: 113). With a limited spectrum, such as one using natural sources, a monopolistic structure by a few organisations is taken for granted, or accepted under strong public intervention. Following this logic, the government commitment is effectively administrating

frequencies in both allocation and operation in order to fulfill certain goals (Iosifidis, 2011: 47-9). The second justification for media regulation is the significance of broadcasters in both the political and social context. As discussed so far, media corporations are delivering content which provides a public sphere to debate political views and to formulate public opinion. Thus politicians, public administrators and social elites have recognised that unchecked or uncontrolled media activities could threaten existing authorities (Humphreys, 1996: 114, Levy, 1999: 20). Associated with the political context, another justification is societal reason. It argues that the free market system alone cannot supply socially desired content. In order to achieve socially desired goals such as cultural identity via programming, there are prescriptive instruments in the form of codes, practices or guidelines. A quota system, for example, can be seen as a vehicle to produce socially necessary content and to protect the minimum requirement for certain type of programming (see Chapter 7). In fact, the importance of TV in the sociopolitical context enforced the need for broadcasting to be under tight control of regulatory regimes.

A final but important rationale for public intervention is the economic rationale. With respect to the economy, it is argued that an unregulated media system could result in abuse of market dominance. Put simply, the fear of concentration in the broadcasting market is used to justify public intervention. With the creation of giant media corporations, whether national or international, media markets show a tendency of concentration by means of economies of scale and scope. However, in terms of the public, competition regulation (both structural and behavioural measures) was implemented to prevent concentration and to uphold a competitive structure. As a structural measure, a variety of regulations in the media market is introduced. According to OECD (2009: 197), most countries have some form of limitation on ownership including the limitation on the number of stations owned, foreign ownership and cross-ownership, in order to establish a “plurality of voice”. In most EU Member States and US, ownership regulation was introduced in order to make competition “workable” and to serve the public interest (see Iosifidis, 2011: 58-69).

In Korea, while behavioural measures are listed in the Monopoly Regulation and Fair Trade Act, structural regulation is governed by KBC, based on the Broadcasting Law of

2000.³⁶ Table 4.6 shows the status of ownership in Korea as of 2000. At the beginning of the neoliberal government, ownership was heavily regulated, not only of public broadcasters but commercial broadcasters too, emphasising the public interest.

Table 4.6 The structure of ownership in Korea as of 2000 (per cent)

		conglomerates	Foreign capital	Newspaper&Teleco	Limit of a shareholder
SO		-	49	33	-
PP	General channel	-	49	-	-
	News and special channel	Prohibit	Prohibit	Prohibit	30
NO		-	49	-	-
DBS		33	33	33	-

Notice: SO: System Operator, PP: Program Provider, NO: Network Operators.
Source: Son and Yeo (2007: 90).

In the case of DBS, the law stipulates that no one entity (conglomerate, foreign investors and telecommunication corporations) can obtain more than a 33 per cent share. However, as we will explore in proceeding chapters, such strict regulation has come under fire because of its negative impact on the expansion of pay TV operators. In short, conventionally, the broadcasting market has been the subject of public intervention due to technological, sociopolitical and economic reasons.

4.4.2 The challenges of media policy and regulation

However, traditional justification for media regulation is under pressure. The shift of the media environment has posed threats to this justification. The impetus and resulting problems can be argued on three levels: the creation of supranational organisations; concentration and the undermining of media pluralism; and technological evolution.

1) Supranational organisations and local responses

Traditionally, media regulation is limited to a specific geographic boundary and at the hands of domestic authority. Domestic authorities in nations, regardless of there being government agencies or independent organisations, are significant agents in determining media policy and regulation. However the creation of supranational regimes in the

³⁶ Despite this articulation in both the Fair Trade and the Broadcasting Law, the ambiguity of the law causes tension between regulatory authorities concerning who has the legal right to regulate broadcasting operators (see Chapter 5).

global order persistently erodes the legitimacy of government. As far as the media sector is concerned, the forms of international organisations, such as UNESCO, ITU and WTO impacted media policy-making in nations (see Chakravartty and Sarikakis, 2006; Freedman, 2005; Jakubowicz, 2007b; Siochrú et al., 2002; Sarikakis, 2004). For example, ITU, established in 1865, but placed under UN supervision in 1945, commands a leading role in media policy by exercising it in such ways as allocating radio spectrums, establishing global technology standards and even improving telecommunication infrastructures in the world (see Iosifidis, 2011: 131-3). Also, global non-government civil organisations, civil society and regional networks significantly impact national media policy. In Asia, the Asian-Pacific Telecommunity (APT), founded on the joint initiatives of the United Nations Economic and Social Commission for Asia and the Pacific and ITU, plans to harmonize the ICT development (APT, 2011). Through their regional forum, called “APT Policy and Regulatory Forum”, APT has emerged as one of the most important forums for regulators and policy-makers to discuss shared policy and regulatory issues in the Asia-Pacific region. The fact is that all of those supranational institutions, both at the global and local level, have undermined government authority. Accordingly, national sovereignty, as Holton (1998) claims, has declined by the establishment of a global economy and global institutions.

Nonetheless, the process of implementation of media policy initiated by supranational organisations has not been wholly successful. It faces rising tensions between cross-national governance and national media policy. This can best be illustrated by the implementation of the 1989 TWF Directive, which aimed to harmonize and uphold cultural identity in the European Member States. For instance, regarding media ownership and the introduction of a quota system, the majority of Member States preferred to retain their own regulation and resistance (Levy, 1999: 39-60). In Korea, the conflict between global governance and local resistance was highlighted during the neoliberal government. An example is the strong opposition against the government-led Free Trade Agreement during the Roh government (2003-2008). The administration completed or launched 57 Free Trade Agreements in association with the Doha Development Agenda (Yang, 2008). For instance, in 2005 KBC proposed light regulation on both the foreign investment and quota system for foreign programming

during the negotiations with the US³⁷. However, it has drawn criticism from civil organisations, grassroots organisations and opposition parties who argue that the measures result in weakening national power in the audio-visual market (see Kim, 2006). Moreover, opponents of liberal policy on foreign forces argue that the audiovisual market should be excluded from free trade agreements. Briefly, the empowered international organisations and global forces challenge national sovereignty.

2) Concentration and media pluralism

The liberalisation of the broadcasting market raises public concern over concentration. Since the 1980s, the wave of market principles has facilitated the growth of the audiovisual industry and private corporations. In addition, deregulation and privatization policies paved the way to the advent of new TV outlets, creating giant media corporations across nations. The government also recognised the importance of economic performance in the audiovisual sector, together with the cultural perspective. However, a rising concern, as a result of deregulation and liberal policy for decades, is the concentration of the media market. It undermines media pluralism and consequently is a risk to democracy. In this stage, we examine the meaning of media pluralism. Media pluralism has different meanings but the concept is considered a key goal in media policy and regulation (See, Albarran, 2004; Cuilenburg, 2007; Iosifidis, 1997). According to MM-CM (1994), the Council of Europe's Committee of Experts on Media Concentration and Pluralism, media pluralism is conceived as:

internal in nature, with a wide range of social, political and cultural values, opinions, information and interests finding expression within one media organisation, or external in nature, through a number of such organisations, each expressing a particular point of view.

By such a definition, pluralism in media implies two related concepts: diversity of output and diversity of ownership (see Doyle, 2002a; Baker, 2007). The former, also called internal pluralism, means a variety of media content available to the public and it can be achieved by such means as prescriptive regulations and codes, to motivate the production of socially-desired content in the industry. By contrast, the latter, named external or structural pluralism, refers to the existence of a variety of independent and autonomous media suppliers. In order to guarantee media pluralism, it is generally argued that both

³⁷ The agreement was finally ratified in the National Assembly at the end of 2011.

internal and external pluralism is sustained in the media market. In this conceptualisation, concentration of media ownership through vertical and horizontal integration by a few corporations significantly threatens media pluralism. Excessive ownership could threaten democracy in that concentrated media organisations only represent ‘certain political views, values or certain forms of cultural output at the expense of others’ (Doyle, 2002a: 13). Accordingly, media pluralism, ownership and democracy are perhaps the most often discussed subjects in media policy in order to prevent unchecked concentration.

Concentration in the media market challenges a democratic society. The matter is that concentration allows for a certain political view rather than a public variety of values. In the UK, for instance, the four largest publishing organisations control 84 per cent of circulation in daily newspapers, while they dominate more than 89 per cent of Sunday paper circulation, as of 2008 (McNair, 2009: 7). Accusing the dominance of the UK media industry by the News Corporation, and blaming it for the phone hacking scandal, Ed Miliband (2011), the Labour leader, said:

I think it's unhealthy because that amount of power in one person's hands has clearly led to abuses of power within his organisation. If you want to minimize the abuses of power then that kind of concentration of power is frankly quite dangerous.

Yet concentration in the media market is further intensified by the fact that few large corporations extend their domain through vertical and horizontal strategies. By adopting a cross-media strategy, capital-oriented corporations link their business to the internet and new technology-based services as well as conventional press and TV sectors (see Hardy: 2010; Picard, 2008). In Korea, the newspaper sector is dominated by a few large corporations. The three nationwide newspaper corporations, *Chosun Ilbo*, *Joon-Ang Ilbo* and *Dong A Ilbo* occupy most of the readership and advertising revenue. Table 4.7 traces the concentration ratio (CR)³⁸ in the press industry since the late 1980s. By measuring the CR, three nationwide newspapers are shown to have occupied almost 70 per cent of the market share. Furthermore, if we consider the four largest papers, *Hankook Ilbo*, it aggregates to 77 in the CR index.

38 The CR is one of the analytical tools used to measure concentration. For example, CR5 refers to the ratios of revenue going to the top five corporations in an industry. It is commonly accepted as a concentration market if the top four corporations control 50 percent or more of the industry's revenue or if the top eight firms control 75 per cent or more (see Croteau and Hoyens, 2006:108).

Table 4.7 The concentration of the newspaper market

	1988	1990	1992	1994	1996	1998	2000	2002	2004
CR3	66.8	57.3	54.4	59.9	59.5	55.3	64.4	67.7	69.8
CR4	83.8	73.9	69.2	69.6	74.2	70.5	78.4	79.6	77.1
CR8	-	97.9	95.3	83.5	95.2	94.9	95.1	96.0	97.3
<i>Chosun Ilbo</i>	21.7	15.8	20.7	21.3	20.5	21.0	25.1	25.6	26.7
<i>Joonang Ilbo</i>	24.1	23.0	18.5	20.4	21.7	17.1	20.3	22.2	23.2
<i>Dong A Ilbo</i>	21.0	18.5	15.2	18.2	17.3	17.2	18.9	19.9	19.9
<i>Hankook Ilbo</i>	16.9	16.6	14.8	14.5	14.6	15.2	14.0	11.9	7.3

Source: adapted Kim et al. (2005: 83).

Alongside concentration, the other critical aspect is their “cosy relationships” with the political regime. As noted in Chapter 2, addressing media development in Korea, mass media including the press corporation is closely connected with the political umbrella. Party press parallelism (see Hallin and Mancini, 2004: 28) by leading newspapers challenges media pluralism. Conservative-centered leading newspapers by readership formulate a specified opinion rather than a variety of voices. In short, liberal policy and deregulation provide a positive atmosphere to the growth of the media market. However, concentration in the media industry endangers democracy. In this situation, media policy on ownership is inevitable for the government to guarantee media pluralism.

3) Convergence and challenge of regulatory regimes

So far we have dealt with two factors in the challenges faced by regulatory regimes. Yet it is not enough to address the subject without examining technological innovation and media policy. As noted above, the development of pay TV has transformed the media system towards a competitive structure, and brought benefits to consumers. However, as far as media policy is concerned, the ICT revolution contains ongoing problems for policy-makers and the incumbent regulatory framework. In other words, the key problem is how social institutions ensure technological innovation in a legal framework (Collins, 2002: 137). This has become more apparent with the advent of digital TV and convergence, which provides more channels and new services (see Chapter 3). In the convergence era, media content is delivered across sectors including TV, mobile phone and the internet with the condition that it is easily altered, stored and manipulated in platform. In this circumstance, as Hutchison (1999: 62-3) argues, one problem is the lack of professionalism in civil servants and politicians who deal with technical issues. However the critical question is the sustainability of the sector-specified regulatory regimes in the convergence era (see Chapters 7 and 8).

Due to the arrival of technology, service and industrial convergence, it is increasingly difficult to distinguish between different media platforms. A large volume of studies already call into question the sector-specified regulatory systems (see OECD, 2000; Iosifidis, 2011). The fact is, as Levy argues (1999: 147), convergence does “not remove the need for public policies” but the problem is how media policy might best achieve its intended goals under a sector-specified regulatory regime. In this context, in 1997 the Convergence Green Paper in the European Commission already proposed three alternative solutions in the convergence era:

- Current vertical regulatory models would be left in place. This means that different rules apply in telecommunications and audiovisual/broadcasting sectors, and to a lesser extent in publishing and IT.
- Develop a separate regulatory model for new activities, to co-exist with telecommunications and broadcasting regulation. This would allow a co-ordinated approach to be developed in relation to many of the high value activities.
- Progressively introduce a new regulatory model to cover the whole range of existing and new services. It calls for a fundamental reassessment and reform of today’s regulatory environment.

Although none of the approaches are perfect, the selection and success of each approach depends on the conditions of each nation. In the case of the US, from the beginning, the media and communication FCC, established in 1934, covered all sectors. The last option, the creation of a single regulatory authority, replacing sector-specified regulation, is the most commonly attempted approach. The proponents of this alternative argue that it offers a solution to regulatory uncertainty in grey areas caused by convergence and overlapping jurisdictions by technological advances (Levy, 1999: 155). However, as noted in the Green Paper (1997: 34), the success of this approach is dependent on there being sufficient time for a transition from old to new regimes, because of disruptive changes. The most exemplary single regulator can be found in Britain. By enacting the Communication Act 2003, Ofcom was established by merging four existing regulatory bodies, the Independent TV Commission, Radio Authority, the Office of Telecommunications, the Broadcasting Standard Commission and the Radiocommunications Agency (see Lunt and Livingston, 2012).

In fact, Ofcom covers all communication sectors except for the BBC which remains aloof, under the principle of “at arm’s length” from government and self-regulation. However, a centralized and super-regulatory agency is not without criticism. The potential problems

include a more bureaucratic, administrative process and difficulty in applying different regulatory principles in the same regimes (Iosifidis et al., 2007: 76-78). Indeed, as claimed by Murdoch (2009), Ofcom cannot avoid a lot of criticism such as bureaucratic organization and incompetency due to focusing on regulation and decision making itself. Nevertheless, the establishment of a unified regulatory organisation is an often-attempted option in the convergence era. To sum up, the ICT development poses a challenge to media regulation, and widens the gap between social institutions and the market. The preferred solution is an integrated regulatory organisation.

4.5 Regulatory framework under the neoliberal government

Prior to embarking on a case section, the rest of this chapter maps out the media regulatory system in Korea. Based on discussions so far, this work provides the analytic framework surrounding pay TV platforms. Generally, in order for the creation, development and implementation of media policy, government agencies, regulatory institutions, parliament and interesting groups are involved (see Albarran 2010). Table 4.6 shows key stakeholders in the pay TV policy-making process in Korea. Together with the National Assembly approving the legislation, the participants are classified into three levels: government agencies, regulators and interested parties (including civil organisations). At the first level, two departments, the Ministry of Information and Communication (MIC) and the Ministry of Culture and Tourism (MCT), govern the Korean audiovisual industry. Established in 1994, MIC is mainly responsible for telecommunication policy, whereas MCT is in charge of cultural policy. In addition, the Fair Trade Commission (FTC) assesses market conduct of pay TV operators.

At the second level, arguably independent broadcasting regulators were separated into the Korean Cable TV Communication Commission (KCCC) and the (old) Korean Broadcasting Commission (KBC) up until 2000. While the former, organised in 1993 under the Cable TV law of 1991, reviews programming, conducts research and advises the government agencies concerning cable TV, the latter deals with those of terrestrial broadcasting. At a glance, both institutions are legally far from political power and government agencies. Admittedly, they are far from being independent and the main power in deciding media policy is in the hands of government agencies because their

financing source and key personnel appointment is decided by the government.

Table 4.8 The key stakeholders of media policy-making in Korea

Level	Shareholders
Government departments	Ministry of Information and Communication (MIC) Ministry of Culture and Tourism (MCT)* Fair Trade Commission (FTC)
Regulators	Korean Cable TV Communication Commission (KCCC) Korean Broadcasting Commission (KBC)
Interest parties	Public broadcasters, local broadcasters, Pay TV operators (cable TV, satellite, DMB and IPTV), Industrial organisations, Labour unions (public broadcasters), Civil organisations

Note: The Ministry of Public Information was replaced by the MCT in 1998

Source: author's analysis.

The last level is the interest groups who lobby the government to influence policy decisions. During the neoliberal government, empowered civil organisations aggressively attempted to influence in policy-making process, as noted earlier. If we consider that the neoliberal government's political support is rooted in civil organisation, this is natural. In this background, the government exploits the activities of civil organisations to advocate their policy. For instance, whenever the government proposed reform plans to discuss the media agenda, NGOs were officially invited by the president. Two unprecedented events can be explained by the increasing power of civil organizations: MBC, public broadcaster and financed by advertising similar to the UK's Channel 4, elected as its CEO the former leader of their trade union; and in 2005 the President even appointed Choi Min-He, a former representative of a civil organisation, instead of a former politician, to the vice presidency of KBC. Yet a most significant agent is the existence of trade unions within public broadcasters, associated with the role of civil organisations in the media policy-making process. Trade unions initially fought against political pressure on broadcasters, after the political liberalisation in the 1980s (see Chapter 2). However, as we will examine in proceeding chapters, trade unions became a key stakeholder in the pay TV policy-making process on behalf of their management.

4.6 Conclusion

This chapter has dealt with core issues in the development of the pay TV industry, as an analytic framework to proceeding chapters. Firstly, it has explored the nature of subscription TV and examined its relation to competitors. In contrast to terrestrial broadcasters, pay TV platforms represent different features, funding sources and value

chains. Yet the expansion of subscription TV and erosion of the existing operator's domain has posed conflict and tension in establishing the new order. Focusing on public broadcasters, it has identified the reaction to the expansion of commercial broadcasters. Also, this chapter has examined that conventional justification for media regulation is subject to the changing media landscape. Lastly, it has presented major stakeholders in the pay TV policy-making process in Korea.

In examining these subjects, this chapter has identified problems in media policy. Traditionally, strict regulation on the media industry is justified by technology constraints, socio-political reasons and economic rationales. However, the legitimacy of public intervention gradually lost ground. The forces are not a single dimension but driven by a variety of forces. One force replacing the government's role in the media market is the emergence of international institutions. For instance, in line with the global order, the supranational organisations challenge the legitimacy of government authorities, while concentration of the media market provoked public concern. In this context, it calls for policy-makers to devise a remedy to guarantee media pluralism. Additionally, technology innovation and the arrival of convergence media have called for a review of the existing regulatory regime. In response, we have observed that a commonly adopted solution is the establishment of a single regulatory authority. In short, in the first half of this thesis (Chapter 1 to 4), we have reviewed the media development and surrounding debates, focusing on the pay TV platform. Based on the discussion so far, we will now examine each pay TV platform (cable TV, DBS, mobile TV and IPTV) and politics during the neoliberal government.

Chapter 5 Cable TV: public intervention and the demise old media

5.1 Introduction

There is no shortage of literature on the subject of new TV platforms and media policy. However, how can new platforms be defined and framed in the regulatory regime? And how can one distinguish new media from the old? In Korea, no other pay TV platform is more answerable to those questions than cable TV. Cable TV is a typical pay TV platform, competing with public broadcasters or newly established TV outlets by providing multichannel and new services. However, cable TV in Korea, as the first pay TV platform, has undergone different developmental paths compared to its counterparts. By the early 2000s, its rivals were not public broadcasters or satellite TV. Instead, it was the Community Antenna Television (CATV), namely “old media”, in contrast to the newly established cable TV. Additionally, cable TV policy developed to the extent of the public model, although current cable TV is accepted as an example of commercial media. In addition, cable TV went from being on the brink of collapse to becoming a leading pay TV service during the neoliberal government. In 1998, when the neoliberal government entered office, some 47 per cent of households were connected to CATV services, whereas less than 5 per cent of households were connected to cable TV. By 2008, however, the tides had changed drastically with cable TV penetration climbing to more than 85 per cent, serving around 15 million households, while that of CATV accounted for less than 1.1 per cent.³⁹

The primary goal of this chapter is to look at the evolution of cable TV and CATV up until the early 2000s.⁴⁰ Focusing on the creation of cable TV and the demise of CATV, this chapter examines public intervention in media development and its consequences. In this process, it will argue that media policy is a decisive agent in the expansion of new platforms. To address the influence of public intervention on the platform, we will look at the major policy shift and changes in the media market under the early neoliberal government. This section is divided into four parts. The first part looks at the development of cable TV and politics from a global perspective. It then examines the creation and evolution of both platforms pre-1995, prior to the launch of cable TV. The

³⁹ See KCC (2009).

⁴⁰ The post-2003 period will be discussed in the next chapter, where the thesis examines the development of satellite TV.

last two parts can be classified into the pre-Korean Economic Crisis of 1997 and Post-Crisis, which significantly influenced both cable TV and CATV. The third section will examine the consequences of public intervention before the economic crisis. Finally, we will see the politics of deregulation and the demise of the CATV era.

5.2 Cable TV and politics in the global perspective

Prior to looking at the politics of cable TV, we embark on a discussion of CATV and cable TV. In contrast to other nations, the former is embedded in a unique position in Korean media ecology. It is generally accepted that both platforms offer a multichannel service. Nevertheless, cable TV refers to a recently developed multichannel platform, whereas CATV is a limited platform initiated as a means to improving TV signal reception in remote areas (Streeter, 1997). In fact, contemporary cable TV operators provide not only multichannel services, but also interactive services through the installment of set-top boxes connected by a cable network. In terms of their relationship, it is more concise to say that the origins of the new technology of cable TV systems stem from the CATV service.

Using Timothy's study (1984: 18-9), the development of cable TV can be classified into four phases. The "CATV" era, the first phase, was a period where the role of CATV was committed to transmitting broadcast signals in areas of poor signals. In the second phase, cable TV began delivering distant terrestrial signals to areas which were too far away to be reached via ordinary aerials, resulting in an increased number of channels and choices for the audience. The third phase is regarded as the current cable TV service, providing multichannel services, such as a variety of news and entertainment channels as well as "premium" or "pay-per-view" channels. The evolution of this stage since the 1980s has characterised the exponential growth of cable TV, threatening public broadcasters. The last stage is where cable TV service began offering triple services (TV, telephone and the internet) thanks to technology innovation and digitalisation. During its evolution, cable TV has been at the heart of discussions in the redesign of the media structure, as we will explore below.

After this short terminological excursion, we will look at the politics surrounding cable

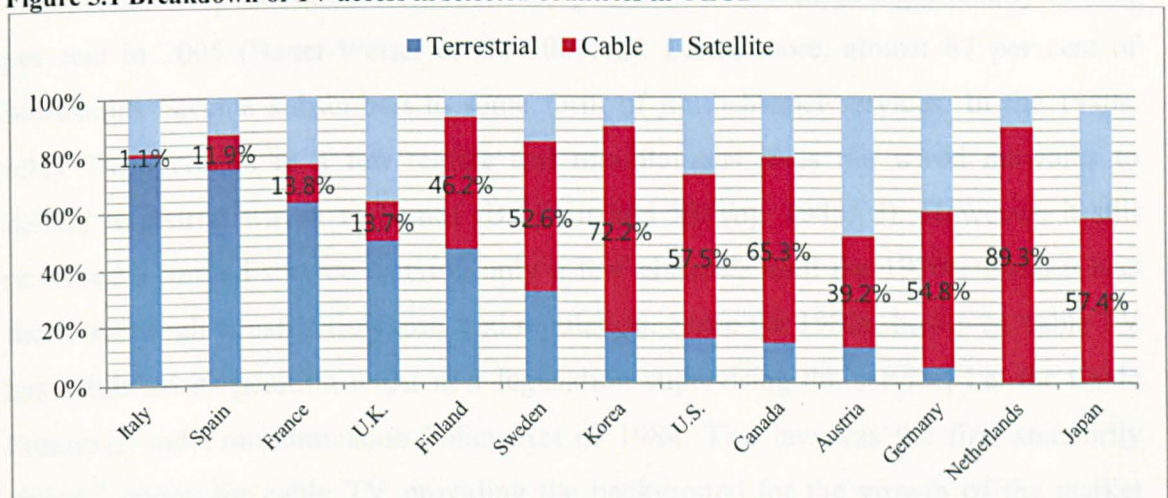
TV. The development of cable TV has transformed the architecture of the media market. In contrast with terrestrial broadcasting, whose signal is transmitted over the air, the cable TV system relies on a physical link in order to distribute channels. Characterised by its need for huge capital investment, such as cable networks (coaxial or fibre optic cables) and the installation of set up-boxes, cable TV is envisioned as playing a key role in the new communication infrastructure. However, one notable phenomenon is its removal of the monopoly of the media market by public broadcasters, as has seen in previous chapter. By providing a multichannel service, the arrival of cable TV has created a competitive structure and has challenged public broadcasters (Hesmondhalgh, 2007; Iosifidis et al., 2007; Siune and Hultén, 1998). In particular, the development of the cable TV service has fragmented and intensified commercialisation, competing for consumers' attention (Papathansopoulos, 2002: 93). Indeed, the development of multichannel platforms has become one of the key challenges and factors concerning programming, viewing and funding for PSB.

The rise of cable TV and media policy

The growth of cable TV and its impact are unprecedented. The development of electronic media has gradually replaced traditional TV reception. However, the speed and scale in which cable TV has expanded is incomparable to that of any other medium. There is a high diffusion of cable TV in the member countries of the OECD (see Figure 5.1). Geographically, Europe is the largest cable TV market in the world outside North America, representing 61.8 million customers in 2009, consisting of 17.9 and 43.9 million digital and analogue subscribers, respectively (Cable Europe, 2009). By providing a triple service, the fourth stage in Timothy's four-phase development, the total cable market revenue in Europe grew from \$8.02 billion in 1998 to \$17.4 million in 2008. However, a closer examination reveals country variance in the cable TV penetration. Italy, Spain and France show a relatively low penetration rate, whereas in the Netherlands and Sweden, 89 and 52 per cent of households are connected, respectively. For instance, the Spanish market has been rapidly growing in recent years, connecting almost 12 per cent by 2007, whereas the Italian market stagnated due to a lack of investment (Screen Digest, 2000). Meanwhile, the UK and France have not fared as well, both recording approximately 14 per cent, due to the comparable success of

their competitors, UK's BSkyB and France's TPS.

Figure 5.1 Breakdown of TV access in selected countries in OECD



Note: Percentage of households with a TV as of 2006 or 2007.
 Source: adapted OECD (2009: 191).

At this stage, we must draw attention to the different cable TV policy of each country. By the 1980s, technology improvements along with the public's appetite for more channels put pressure on the government to draft a cable TV policy. It can be argued that there were two different policies, namely the "private model" and the "public-oriented model". The first can be identified in France, where the government pushed the cable TV project because it boosted both domestic industry and the government's decentralization policy (Humphreys, 1996: 164-5). In this case, as with Germany and Sweden, the government encouraged the participants of public entities to promote the diffusion of cable TV. However, the latter model can be seen in nations where the development of cable TV depends mainly on private investment and a free market environment. In the case of the UK, the Thatcher government expressed its wish to develop new technology as an instrument to help reverse the then ailing economy, but it was reluctant to interfere in cable TV development, stressing the market system (Hutchison, 1999: 60). In line with policy variance, the notable feature is the evolution from the old CATV to the new cable TV. In the case of the US, the UK and Taiwan, CATV has gradually converged into the cable TV system, despite differences in cable TV policy (Dutton, and Blumler, 1988; Li et al., 2007; Liu, 1994; Parson and Frieden, 1998). However, as we will explore below, both CATV and cable TV in Korea have experienced sharp competition in the shift of public intervention.

As a single nation, the US is the leading country in market size and liberal policy. In 1980, cable TV penetration was around 23 per cent but increased significantly to 69.4 per cent in 2005 (Banet-Weiser et al., 2007: 2). Furthermore, almost 87 per cent of households became subscribers to some form of multichannel services. In the 1940s, relay TV operators in a few remote and mountainous areas ran wired networks to deliver terrestrial waves to homes (Baldwin and McVoy, 1988: 5). However, it still remained a limited service carrying only a few channels until the 1970s, when it was faced with high construction costs and regulation. Since the 1980s, however, cable TV has solidified its position under new legislation supervising the service, i.e. the Cable Franchise and Communication Policy Act of 1984. This law was the first statutorily national policy for cable TV, providing the background for the growth of the market (Copple, 1992). By enacting liberal policies such as the Cable TV and Consumer Protection and Competition Act of 1992 and the Telecommunication Act of 1996, the multichannel market has taken on a competitive structure.

Table 5.1 The penetration of cable TV in selected Asian countries.

	2002	2003	2004	2005	2006	2007	2008
China	29.0	30.3	32.1	34.5	36.4	38.1	39.4
Japan	9.3	10.5	11.3	12.1	13.3	13.9	14.5
Hong Kong	28.9	30.5	31.9	32.7	33.9	36.9	36.7
Singapore	34.8	36.1	37.7	40.2	42.9	43.7	44.9
Taiwan	80.5	81.4	82.0	82.3	82.3	82.3	82.2

Source: adapted OECD (2007a, 2009).

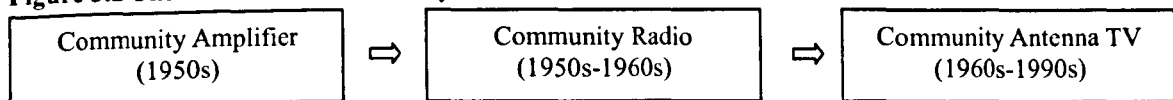
The Asian region has not been immune to the deployment of cable TV. The region's economic growth and political democratisation paved the way for the launch of pay TV (See, Lau, 1988; Li et al., 2007; and Liu, 1994). In 2007, pay TV penetration in the region reached 43 per cent and it is estimated to reach 55 per cent by 2017 (MPA, 2009). In Taiwan, where cable TV was legalised in 1993, the platform already connected more than 80 per cent of households in 2000, since its evolution from the community antenna TV (Liu and Chen, 2007). In short, the expansion of cable TV varies by countries but we see that it has reshaped national media landscape.

5.3 The evolution of CATV and cable TV

5.3.1 CATV: from a relay operator to public media

This section is devoted to tracing the creation of cable TV and CATV⁴¹ prior to 1995, focusing on public intervention. Figure 5.2 depicts the evolution of CATV until the mid-1990s. The CATV service has evolved with the change of the media environment. Originally, it began as a “Community Amplifier” at the end of the Korean War in the 1950s (see Chapter 2). Instead of pursuing a commercial interest, the *Rhee Seung-Man* government (1948-1960) distributed community amplifiers as a means to public announcement. Without any public medium, such as radio or TV sets, amplifiers were simply an instrument of propaganda for the authoritarian regime. However it soon realized its limitations and began using an alternative device, the “Community Radio” where conventional radio was connected by wire to reach the public. Like the UK, where the first cable system was created in order to establish a relayed radio service in the 1920s (Murdock, 1992: 273), the Community Amplifier was superseded in its role by the Community Radio with the proliferation of radio. In this phase, it must be noted that the new media was perceived from the beginning as an effective instrument for the authoritarian regime to deliver its ideas.

Figure 5.2 The evolution of community antenna in Korea



Source: author's analysis.

Nevertheless, CATV, the so-called old medium, became the primary media outlet by the 1990s. With the construction of a dual system⁴² under the Park regime (1961-1979), the Community Radio operator had shifted its role to the retransmission of TV signals, while the radio market declined since 1980. By the mid-1990s, CATV became a leading medium with the proliferation of TV. In 1973, less than 90 operators provided CATV service but it grew to 853 operators, equivalent to 46 per cent of nationwide penetration, as of 1996 (Lee, 2000: 41-6). The performance was unprecedented before the

⁴¹ The problem with the survey of CATV in the early 1990s is that it has not been well documented. Accordingly, the data is based on a mixture of information from industry, government and academic sources.

⁴² Terrestrial broadcasters were founded by the 1960s, although they were abolished by the authoritarian regime in 1980 (see Chapter 2).

introduction of cable TV service.

This development, it can be argued, stems from three interrelated influences. Firstly, Korean's geographical condition, characterised as mountainous and with a high population density, partly contributes to the expansion. For subscribers, it was an evitable way to connect to old media to receive a clear broadcast signal. Secondly, referring to market structures, CATV had a monopoly on the early pay TV market. Before we turn to other points, we must not forget the constructive relationship between CATV and the public broadcasters regarding the retransmission of terrestrial channels. Two public broadcasters, MBC and KBS, enjoyed synonymous growth because CATV carried their channels even to remote areas, without any carriage fee or specific conditions. With the help of CATV, public broadcasters became nationwide broadcasters which created more advertising revenue. On the other hand, thanks to popular programming on terrestrial channels (often illegally re-programming), CATV also generated dual revenue from both subscription fees and advertising. In these conditions, it was natural for both sides to unofficially to agree to the retransmission of terrestrial channels, in contrast to other platforms (see subsequent chapters). Thirdly, CATV's early success was partly due to its delivery of illegal channels. In 1988, the report by the Broadcasting System Commission (1990) shows that almost 30 per cent of operators had committed offences. The platform carried some foreign channels, local news channels and even movie and drama channels, illegally collected through public broadcaster's programming.⁴³ Moreover, some major CATV operators were providing more than 100 channels and generating advertising revenue, which was illegal. In fact, geographical conditions and its positive relationship with existing operators have enabled the expansion of CATV.

However the most important point is the government's attitude towards CATV. Put simply, the absence of regulation stimulates the growth of cable TV. In contrast with the press industry, the TV sector has been the subject of public intervention and strict regulation (see Chapter 4). However, as far as CATV is concerned, there was no specified regulation or policy by the mid-1980s. Policy, as Lamberton (1974) argues,

⁴³ The law stipulated that the CATV operators are capable of only two services: retransmitting terrestrial channels and operating public channels for public notices without any news bulletins. By 1997, the law stipulated that they may only operate less than 12 channels.

'must be more than prescription of a method of dealing with a well-defined problem'. In 1986, the government first enacted The Cable Management Law to oversee the service because of the explosive growth of CATV service during the 1980s. However, the inherent problem in the law was that there were no clauses on key aspects of the platform such as franchising or technological standards. While this was the case, giant operators connecting many cities upgraded their capacity up to 300 Mhz, which could deliver nearly 100 channels in theory (Son and Yeo, 2002). Even faced with the spread of illegal activities, the government turned a blind eye. This was in considerable contrast to the government strictly suppressing media and activities in the 1980s (see Chapter 2). To summarise, by the mid-1990s, CATV became a dominant operator in the absence of relevant policy.

5.3.2 Cable TV: from political interest to government intervention

The launch of cable TV can be traced to a political idea. By and large, pay TV platforms in many nations are initiated market principle. By contrast, the cable TV project in Korea was proposed as a political agenda during the presidential campaign (KCTA, 2000a). In 1987, *Roh Tae-Woo*, then a ruling party candidate and president (1988-1993), pledged to introduce cable TV in his manifesto. The political perspective on cable TV was streamlined in the *Broadcasting System Research Committee* (1990), which was established to review media policy after democratisation. The committee's final report, called *Roadmap to Broadcasting for 2000s* justifies the necessity of cable TV (*Ibid*, 1990: 206-9). Firstly, it asserts that Korea should keep up with global trends by embracing multichannel platforms. It stresses that the nation could compete with foreign channels and global corporations through the launch of multichannel operators. Secondly, in respect of culture, the report pinpointed that cable TV together with DBS would widen the cultural industry as well as diversify programming to audiences, as well as boost the economy. Lastly, it recommends that cable TV service, stressing local character, should become a cultural centre for the local region, in contrast to satellite TV's coverage being nationwide. Considering that the commission was set up and operated by government order, the recommendation represented the government's intentions.

However, the rationale behind the cable TV project is the fear of losing government influence in the broadcasting market. For the government, the new service is an alternative way to find a submissive media (Interview, 2009). Admittedly, after civil uprising and political democratisation in the 1980s, the government lost the authority to control the media industry. For instance, public broadcasters, KBS and MBC, enjoyed comfortable competition, at the same time rejecting undue influence by government and politicians, in contrast to previous decades. Under these circumstances, the government intended to restore their influence on the media market by launching a new platform. Jung (1996: 101), studying cable TV policy, states:

In the process of social democratisation and the creation of trade unions, the government feels the need to review the media market. Public broadcasters are no longer under a government umbrella and even resist undue influence by political powers.... As a consequence, the government backed the launch of cable TV, and the establishment of a dual system, by licensing SBS in 1990. On the one hand, political powers feared the decline of government influence on broadcasting, but on the other hand planned to break up existing public broadcasters by the introduction of new platforms.

Unlike global trends, as has been seen in Chapter 3, the Korean cable TV project began out of political interest rather than market demand. Accordingly, this consideration can justify the strict regulation and public intervention in the commercial platform.

Table 5.2 The regulatory institutions in cable TV

Institution	MPI	MIC	KCCC
Main jurisdiction	Media and communication policy	Information technology policy	Content
Media section	Broadcasting and newspapers	Technological standard	Programming
Cable TV section	PP, SO	NO	Censorship

Notices: MPT (Ministry of Public Information), MIC (Ministry of Information and Communication), KCCC (Korean Cable TV Communications Commission), PP (Program Provider), SO (System Operator). NO (Network Operator)

Source: Author's analysis.

The Cable Law of 1991 provides the structure and policies in cable TV. According to the Law, three public organisations oversee cable TV policy: one commission, two central ministries and some local governments⁴⁴(see Table 5.2). The Law set up the Korean Cable TV Communication Commission (KCCC) to serve as an independent regulatory agency with a mission to govern cable TV. In particular, the Commission was mandated to oversee fairness and soundness in programming. More specifically, it had authority to screen programs like movies, cartoons, advertisements and foreign

⁴⁴ Local government has the authority to submit an opinion during the licensing and renewal process of a local platform according to the Cable TV Law of 1991.

programs before they were aired, as a method of censorship. Protecting the commission from undue influence, the law clearly stipulates the independence of KCCC from stakeholders. Referring to the cable TV industry, in this stage, two points must be noted about media regulatory regimes. One fact is that a regulatory institution for the cable industry was set up to achieve what is called professionalism in media regulation as observed earlier. The (old) Korean Broadcasting Commission (KBC) had already been in existence to govern terrestrial broadcasters based on the Broadcasting Law. The other fact is that separate laws covered cable TV and CATV, as CATV was under the CATV Management Law.

Yet legal control of the cable TV industry was primarily vested in two government departments: the Ministry of Public Information (MPI) and MIC. Looking back, the cable TV project was initiated by political interest, and perhaps this was an inevitable consequence. It is noteworthy that two agencies shared authority over cable TV. MPI had the authority as architect of the cable industry, such as granting franchises, and was in charge of comprehensive content regulation. It also had the right to appoint commissioners, as well as approve the budget of KCCC. Meanwhile, MIC had sovereignty to establish technological standards upon cable TV as well as CATV. Although it is difficult to identify hardware and software policy in the convergence era, the segmentation in responsibility posed potential problems if invested agencies represented contesting views. To summarise, cable TV was initiated by political interest and mainly supervised by two government organisations. Accordingly, the success or failure of the cable TV project was largely balanced in the hands of government and its policy.

Private media and the absence of market principles

Cable TV service is a commercial platform under private ownership. Whereas public broadcasting is mandated to cater to its social commitment, it is a generally shared view that the pay TV platform is perceived as commercial media and regulated by market principles. However, the creation of Korean cable TV can be characterised by severe public intervention and public ownership. Major public policy were: a unique sub-system, strict regulation over ownership and the oligopolistic structures. Firstly, the

government adopts a triple model, consisting of three sub-systems, system operators (SO) or local operators; program providers (PP) or content providers; and network operators (NO) or network builders (Nam, 2008; Son and Yau, 2002). As a regional operator in the franchise systems, the SO directly connects to customers through the cable network constructed by the NO. Due to the concern of heavy investment in building the cable network and potentially long-term returns on investment, the government nominated two giant state-run corporations as the NO, the *Korean Telecommunication* (KT) and the *Korea Electronic Power Corporation* (KEPC).⁴⁵ Meanwhile the PP provides the programming to the local SO. The noticeable feature is the participation of public organisations and semi-private entities in the PP sector, as we will see later. Secondly, the government deployed strict regulation on ownership. The Cable TV Law of 1991, for example, prohibits investment in the SO by conglomerates and foreign capital (see Table 5.3). The government also prohibits vertical and horizontal integration by both the SO and the PP, if allowed, would be called the Multiple System Operator (MSO) and the Multiple Programming Provider (MPP), respectively

Table 5.3 The structure of cable TV as of 1995

	System Operator	Program Provider	Network Operator
Entrance	Licence	Approval	Registration
Ownership	Conglomerates -	Maximum 50%	-
	Foreign capital -	Maximum 15%	-
Major revenues	Private, Public	Private, Public	Public
	Subscription fee	Subscription fee	Subscription fee
	Advertising	Advertising	

Source: Adapted from Son and Yau (2003).

The question we have to ask here is why the government imposed strict regulations and a triple model. The answer perhaps can be found in its political interest as noted above, and an optimistic view on the new media. We must elaborate the subject. Political consideration surpassed any other argument. Ostensibly, the government justified strict regulation in the name of 'media pluralism' (see Chapter 4) in which the cable TV

⁴⁵ KT, the largest land-line telecommunications service, was willing to invest in NO in order to exploit the opportunity to extend the business domain. In fact, the corporation recognised the importance of the cable network not just for transmitting TV channels but also for multi-purposes such as the internet and phone services due to the rapid revolution of ICT. By contrast, KEPI, an electronic power supplier, had concerns. In its early stages, the company reluctantly worked with the cable component due to the tenacious persuasion of the state. The economic crisis in 1997 and accumulated deficit, however, were cues to finally withdraw from the NO sector for good (Lee, 2009).

service was composed of sub-systems rather than a single entity. It insisted that, by consisting of sub-systems, it can achieve “external pluralism” in the cable TV market. However it is a reflection of the early lessons learned by public broadcasters. As many interviewees stated, the underlying justification is the fear of a new platform, was similar to that of public broadcasters. On one hand, the government was concerned with the decline of its influence on existing broadcasters, and on the other hand it planned to exert influence in the cable TV industry through a segmental structure. The other factor is what is called technology optimism, in which the development of new media is perceived from a rosy perspective. Apparently, the government predicted that the newly established cable TV would stimulate related industries and even contribute to boosting the national economy in years to come. By the same token, for the policy-makers, the cable TV network, in collaboration with the state-run NO operators, was seen as a backbone network in what scholars call information society.

Lastly, let us now return to public intervention in cable TV. The unplanned oligopoly structure, comprising cable TV and CATV in franchise, is another feature. As noted above, CATV became the prevalent medium by the mid-1990s, but the government excluded the participation of the old media in the new cable TV service (see below). Referring to the subject, it should be noted that the government has more of its political interest rather than economic one in establishing the franchise system. The franchise of the SO was designed parallel to the constituency by the members of the National Assembly rather than the economic sustainability of the cable TV (Jung, 1996). The government also banned news coverage and news channels in the SO, although it emphasised localism in cable TV. In short, due to the dominance of political interests, the cable TV structure was created with strict regulation and in the absence of the market principle.

5.4 The government as a facilitator and regulator

5.4.1 The dark sides of government-led development

On April 1 1995, the beginning of cable TV service marked a milestone in Korean media history. The platform was launched with a celebration eight years after the idea was proposed. The newspapers hailed the event, using such terms as “the end of the broadcasting monopoly”, “the frontier of the new media”, “a historic day for Korean TV”, “the beginning of the multi-channel era” (*Kookmin Daily*, 1995; *Maeil Economic Daily*, 1995; Nam 2008). The President, Kim Young-Sam (1995), pronounced the event: ‘The launch of cable TV is the result of a great effort to enter the information society by the government. It will promote the cultural industry within Korean audiences, providing a variety of content and channels’. At a glance, the cable TV sector achieved remarkable success until 1997. It attained a million subscribers in just fifteen months and reached more than 2.5 million in 1997. Moreover a total of 45 per cent, or 5.9 million of total households, were connected by the cable network by 1997 (KBC, 2000).

As President Kim remarked, public intervention contributes to the expansion of cable TV. The government adopted cable TV as a national project to boost the industry. The example can be identified under the so-called “*Milky Project*” (KCTA, 2000a). In September 1995, MPI announced the launch of the project, cooperating with government agencies and industrial associations to early stabilise the first pay TV platform (MPI, 1996). Initially the project was set up to deal with confronting policy issues in the development of the platform. In order to increase subscriber numbers and build on the cable network, for example, the government received status updates on daily, weekly and monthly subscriber goals. The government also backed cable TV indirectly with measures such as tax benefits and financial support. For instance, it exempted set-top boxes from value added tax and guaranteed 8,800 billion KRW of financial benefits to the industry in 1995 (Lee, 2009). In the same vein, in 1996 at the request of the Korean Cable TV Association (KCTA), the trade organisation for cable TV, the state reclassified the SO and the PP as small enterprises to create further tax benefits. Moreover, in order to increase the number of viewers, the government even exempted value-added-tax on the subscription fee from 1996 to 1998, eventually ending the exemption in 2002. Indeed, it was a rebirth of strong government leadership, similar

to that of the economic development phase in the 1960s and 1970s. Unlike other countries, where cable TV is regarded as a private business, it was one of the key national projects for the Korean government. In this context, MPI even praises its performances, as seen in the news release to mark the first anniversary in 1996 (MPI, 1996).

- Cable TV established its own identity in the short term
- The fibre cable network penetration reached 45 per cent in just a year
- Subscribers reached over 700 thousands in the first year
- The cable TV service contributed to the expansion the audiovisual market in Korea
- Cable TV benefits the national economy

However, it did not take long to expose the limits of public intervention. Despite outstanding performance in terms of subscription numbers, the financial situation got worse, despite optimistic views. Table 5.4 represents the serious economic situation in the SO in the first three years. The SO's records show a deficit for three consecutive years, reaching a deficit of almost 50,000 million KRW in 1997. In contrast to the optimistic forecast by government and public organisations, the financially difficult in SOs were in dire need of a solution. Furthermore, by 1997, the accumulated deficit in the PP sector reached 6,563 million KRW (in 26 channels), recording 1,790, 2,410, 2,372 million KRW in 1995, 1996 and 1997, respectively (KCTA, 2000a). Except for two home-shopping channels, every PP had an average deficit of 252 billion KRW, achieving 692 and 913 billion KRW in 1995 and 1996, respectively (*Ibid*). Despite a rapid growth in terms of subscription numbers and wired households, the huge amount of red undermined these performances.

Table 5.4 The financial statement of the SO (million KRW)

Year	Asset	Liability	Equity	Revenue	Cost	Net income
1995	260,145	106,789	153,356	38,521	88,808	-50,287
1996	293,534	165,108	128,426	94,044	151,528	-57,484
1997	330,831	231,258	99,573	175,342	223,725	-48,382

Source: adapted KCTA (2000a).

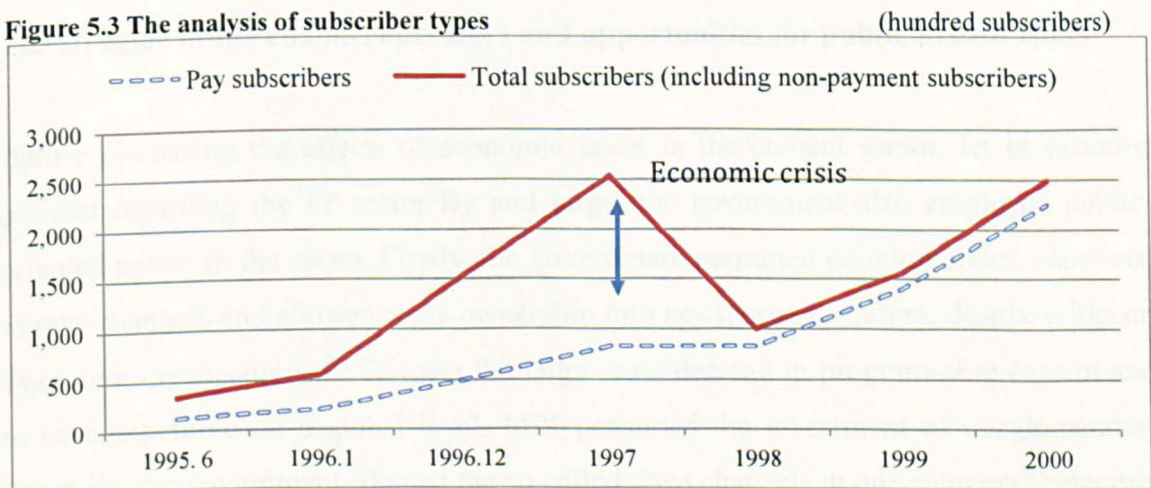
To make the situation worse, there was an increasing number of complaints against the new platform. According to the report by KCCC (1996), during January-April 1996, an average 1,300 customers complained to the SO, a total of approximately 70,000 complains across the nation, including complaints of poor quality of service and high prices. In the same year (June-July), a survey also conducted by KCCC noted that the

situation had not improved: a total of 51,472 complaints arose concerning the network, an unclear screen, the problem in the set-top box, amounting to 23 per cent, 18 per cent, and 26.6 per cent, respectively. However the critical matter was not just the increasing complaints about the service. In 1995, the average churn rate reached 29.9 per cent, while 23.9 per cent of total subscribers were expected to cancel. Although some SOs showed around one per cent churn rate, two SOs underwent a 100 per cent churn rate (KCCC, 1995). In fact, almost as soon as the service first began, the financial crisis coupled with problems in service challenged the cable industry, despite government leadership.

5.4.2 Vulnerable cable TV and market principles

The economic crisis, better known as the IMF crisis, challenged the Korean economy. The state-led globalisation during the Kim government and subsequent IMF bailout exposed the challenges and opportunities in Korean society (see Chapter 2). Faced with restructuring programs imposed by the international institution, Korea witnessed radical reforms in its economic system. The media sector as a whole went through an unprecedented downsizing and restructuring, such as job cuts and salary cuts (see Kim et al, 2001; Lee, 2002). As cable TV depended primarily on both advertising and subscription fees, the economic crisis exacerbated the already ailing cable TV.

Figure 5.3 The analysis of subscriber types



Note: The gap between two curves represents the non-payment subscribers.
 Source: adapted KCTA (2000a), Son and Yau (2007: 360).

The economic crisis placed cable TV on the brink of collapse. This can be illustrated by

looking at the sub-systems. One can see the decline in subscribers and increasing number of discontinued subscriptions. The rise in net subscribers by month shows a sharp drop at the end of 1997, and a net decrease continued until 1999 (Son and Yau, 2007). Despite the rise in cable operators to 77 from 53 in 1997, the total number of cable TV subscribers was less than 2 million, compared with 2.5 million before the IMF crisis.

However, the economic crisis revealed drawbacks of government-led development and recognised the importance of the market principle. The example can be seen in the decrease of non-payment subscribers (the gap between two graphs in Figure 5.3). As Figure 5.3 shows, there are two types of subscribers, pay and non-payment. In fact, prior to the arrival of the economic crisis, non-payment subscribers accounted for almost two-thirds of the total number of subscribers, due to government recommendations. However, the economic crisis became a turning point for the local operators, no longer keen to seek non-payment viewers. Indeed, faced with ailing economic conditions, the SO redesigned its strategies, opting to try the market principle rather than direct or indirect government intervention (interviews, 2009). In short, adversary economic conditions proved the limits of government intervention in private media. And it paved the way for policy-makers and industry to introduce market principles and business strategy in the industry.

The struggle of the channel operators and opportunities for public broadcasters

Before discussing the effects of economic crisis in the content sector, let us examine policies regarding the PP sector. By and large, the government also employed public-oriented policy in the sector. Firstly, the government permitted conglomerates, *chaebols*, to own channels and allowed cross-ownership into newspaper operators, despite criticism from civil organisations.⁴⁶ To meet the large scale demand in programming content and to be competitive on a global level, MPI permitted the investment of conglomerates. Secondly, the government adopted the so called “two channels in one category” principle

⁴⁶ As has been examined in Chapter 2, the concentration of the national economy by *chaebols* was the most significant concern in Korea and, needless to say, it was also at the centre of the cause of the economic crisis in 1997. Civil organisations accused the conglomerates not only of having a monopoly of the national economy but also of the media market, undermining the diversity in media ownership.

in the PP sector to guarantee diversity in programming supply (see Table 5.5). For instance, using this logic, it would award two channels in all genres in the religious, female and educational categories. Thirdly, the government imposed strict regulation on programming. An example of this is a quota system that promotes local programming against foreign programming. It set a strict limit on foreign programming at 30-50 per cent of total programming. There was a maximum 50 per cent limit to foreign programming of documentaries, sports and science and technology programming, whereas there was a 30 per cent obligation in other types of programming. In the same vein, the PP was required to produce original programming for 20 per cent of total hours aired. It also prohibited the SOs from carrying foreign channels, although ROs offered numerous foreign channels via illegal methods. Fourthly, the government introduced heavy regulation in ownership by limiting a foreign ownership regulation by limiting foreign ownerships to 15 per cent in a PP.

Table 5.5 The program providers as of 1996

Programme category	Channel Name	Ownership
News	Younhap TV News (YTN)	Government**
	Maeil business News (MBN)	Maeil Economic Daily
Movie	Catch One	Samsung Trading Co.*
	Daewoo Cinema Network (DCN)	Daewoo Electronics*
Sports	Hankook Sports TV (KSTV)	Government**
Culture	Q channel	Jail advertising Co. (Samsung)*
	Century TV	Jiho Kim
Entertainment	Hyundai Broadcasting	Kumkang Co. (Hyundai)*
	System(HBS)	Hyunwoo Shim
Education	Jaeil Broadcasting System (JBS)	Dongah Publishing (Doosan)*
	Doosan Super Network (DSN)	Sisa English
Music	Mirae Education (MYTV)	Hansaem
	Dasom Broadcasting	Hyundai Record
	Korean Music TV (KMTV)	Young Trade Co.
Children	Music Network (m-net)	Daegyo
Women	Daegyo Broadcasting (dbc)	Donga Construction Co.*
	Donga TV (DTV)	Jinro*
Religion	GTV	Peace Broadcasting Co.
	Pyung Hwa Broadcasting (PBC)	Buddist Education Center
	Buddist TV network (btn)	Christian TV Co.
Shopping	Korea Christian TV (KCTV)	
	39 shopping	LG corporation*
Cartoon	Hi Shopping	
Tourism/traffic	Tooniverse	Government**
Public	Tourism and Traffic TV (TTN)	Government**
Public	Korea TV (KTV)	Government**
	Arirang	

Notes: * indicated *Chaebol* related corporation.

** indicated state-run or related corporation.

Source: adapted KCTA (2000a: 14).

The public oriented feature in the PP sector can be seen in Table 5.5. The government

encouraged state-run corporations to enter the content sector, given their financial ability. As Table 5.5 illustrates, 17 channels were licenced to conglomerates, whereas state-run entities invested in 7 channels. In order to provide stability for the sector rather than promote competition competitive, the government even permitted state corporations to run entertainment channels, such as the *Hankook Sports TV* and *Younhap TV News*. In fact, the above policy represents how the government's priority was for the early stabilisation of the sector rather than competitive structure.

However, the economic crisis put the sector on the brink of collapse. In 1997, for instance, four PPs went into the administration: *Dasom Broadcasting* (an educational channel), *Dong TV*, *GTV* (a women's channel) and the *Korean Christian TV* (a religious channel), while *Dong TV* was finally switched off in 1998 (Son and Yau, 2007). Contrary to government policy, the economic crisis pushed conglomerates to withdraw from the PP sector. Samsung's *Catch One*, and Daewoo's *Daewoo Cinema Network*, withdrew from the cable TV industry during the IMF crisis. Meanwhile, small-sized channels, in terms of capital size, attempted to survive by cost-cutting measures in programming. For them, one of the easiest cost-saving measures was a decrease in programming investment. For instance, 19 channels aired over 50 per cent in the form of repeat programming in 1998 (KCTA, 2000a). To a large extent, the government's promises concerning cable TV largely failed at least during the economic crisis.

Nevertheless, the unprecedented economic crisis gave momentum to rival operators. For rivals, especially public broadcasters, the economic crisis brought opportunities. At this stage, the relationship between cable TV and the public broadcaster should be noted. By the end of the 1990s, there were no identified disputes or disagreement because cable TV was not considered a threat to the status quo of the media market. Yet broadcasters utilised the economic crisis to move into new media sectors. The expansion of public broadcasters to the commercial market was one way of survival in a competitive structure (see Chapter 3). As noted earlier, during the establishment of the cable TV structure, the government prohibited public broadcasters from possessing SO shares because of a fear of concentration. However, according to the Cable Law of 1991, there were no provisions on PP owned by terrestrial broadcasters. In 1999, the MPI first permitted SBS, a commercial broadcaster, to own *MYTV*, which changed it into a golf

channel from an educational channel (KCTA, 2000a). For the government it was an inevitable measure to save the ailing content provider. However, this event was pivotal for public broadcasters in extending their businesses into pay TV market (see following chapters). In short, the government's intention to promote the content market through public intervention faced a serious obstacle with the economic crisis.

5.5 The rise of cable TV and the fall of CATV

5.5.1 Government failure and deregulation

Deregulation paved the way to reshaping the cable TV industry when it was on the brink of collapse. Associated with globalization, commercialisation, and digitalisation (see Chapter 3), deregulation is a discipline that can transform a media market. Deregulation refers to 'the policy process whereby the various laws, rules and codes that governments use to shape media ownership, financing and ongoing activities are withdrawn or weakened, a process which at bottom is a political one, reflecting the power and interests of various actors' (Gripsrud and Weibull, 2010: 27). As seen so far, heavy regulation and public intervention were blamed for the failure of cable TV. Accordingly, deregulation and liberal policies were the only measures to save the cable TV industry exacerbated by the economic crisis.

Table 5.6 The revision of ownership by 2000

	Terrestrial	DBS	SO	PP	NO
Terrestrial		33 per cent	Prohibit	No limit	
DBS	No limit		33 per cent	No limit	
SO			MSO*		
PP			MSP**	MPP***	No limit
NO			Allowance****	No limit	

Notes: * Up to 33 per cent of the total SO revenue and one-fifth of the total SO areas, ** Up to one-fifth of the total SO areas, *** Up to 33 per cent of the total PP sector revenue, **** Up to one-tenth of the total areas
Source: Son and Yeo (2002).

Liberal policies proposed by the neoliberal government were far reaching. Among them the legislation of the Broadcasting Law of 2000, called the "Integration of Broadcasting Laws" is noteworthy. Adopting recommendations by the 'Presidential Advisory Committee for Broadcasting Reform' (PACBR), the Law was approved in the National Assembly in December 1999 after more than five years of public debate. Similar to the US's Broadcasting Law of 1996, the underlying principle of the law was deregulation.

Admittedly, the start of new government's liberal policy came in the form of the revision of the Cable TV Law⁴⁷ of 1999 that removed strict regulation. Table 5.6 illustrates the relaxation on ownership regulation by early 2000. The previous law prohibited foreign capital, conglomerates and press corporations from owning any share of the SO. However, with the new legislation conglomerates and press corporations were allowed to own as much as 33 per cent of capital in the SO, while foreign entities could own up to 33 per cent up from 15 per cent. Moreover, allowing various types of cross-ownership, the government attempted to avoid long standing criticism and encourage investment. For the first time, it permitted cross ownership between sub-systems, acknowledging the existence of MSOs and MPPs. The main exclusion was the ban on the investment of public broadcasters of SOs, while no clause went against their participation in PPs.

Table 5.7 The regulatory shift on the PP sector (1993-2008)

Period	Pre-1999	1999- 2000	2001 – 2008
Administration Law	Licensing Cable Law of 1991	Approving Cable Law of 1999	Registration Broadcasting Law of 2000
Jurisdiction Channels	MOC 29	MCS 44	KBC 210

Notes: Except for home-shopping channels, news channels and comprehensive entertainment channels.
Source: Lee (2009: 130) and KCC (2009).

Market-driven policy also had an effect on the PP sector. Actually, like the SO division, the PP sector had an absence of competition because of deliver all licenced channels guided by the government. However the regulation was replaced by the “approval system” and finally the revised “registration system”⁴⁸ based on the Broadcasting Law of 2000 (Son and Yeo, 2007). With the latest measure (still in effect as of 2012), one can operate any type of channel due to the lower entrance barrier⁴⁹, except for news, home shopping and entertainment. As shown Table 5.7, the effect of deregulation on the programming market was enormous. By 2008, channel providers increased by more than five reaching more than 200 operators compared with early 2000. Indeed, this was a great change compared with early practices in which the government allowed only 29 channels under a strict licensing system. Liberal policy is assessed to be a successful

⁴⁷ The revision was a temporary measure for the neoliberal government because the new law was still under public deliberation.

⁴⁸ Under this measure, the government awarded 15 additional channels in 2000.

⁴⁹ According to the Law, there are two preconditions: a minimum amount of capital (5 billion KRW) and broadcasting facilities.

discipline, at least in creating a competitive structure.

Before moving onto the next section, a significant point must be kept in mind about the consequences of deregulation. Liberal policies bring out what Peacock (1986) called “consumer sovereignty” in the cable TV market. A character of the multichannel platform is the enhanced choice for audiences. But the cable TV industry in its infancy did not provide such variety to its customer. Strong public intervention, such as a limit to channels and a universal package, consumers did not have any choices, except whether to subscribe or not. By allowing a “tier system” with the abolishment of must-carry guidelines, potential subscribers were able to select channels at a considerably lower price. As of 2004, almost all the SOs offered more than three packages and as much as five tiers in some SOs (KBC, 2005). Indeed, increased channel choice and a variety of packages benefit the consumer. In short, strong controls on ownership, which was criticised for preventing the growth of cable TV were eventually relaxed. With implementation of more liberal measures, cable TV was given a new chance to recreate its destiny.

5.5.2 New policy and the demise of CATV

An argument for the development of new media is the marginalisation of state authorities. In their view, technological changes, gobalization and media conglomerates erode the authority of government. However, as far as CATV is concerned, the state still remained a significant factor in deciding the fate of CATV. By the end of the neoliberal government, we witnessed the rise and then drastic fall of CATV, while cable TV continued expand. As can be seen in table 5.8, the penetration rate and number of operators radically declined since 2003, which peaked in early 2000. By 2008, the platform was almost wholly replaced by the growth of other multichannel platforms. It can be argued that the demise of CATV resulted in a three stage policy shift, which the researcher calls the “exclusion”, “recognition” and “inclusion” policy.

Table 5.8 The shift of CATV between 1995-2008

	1994	1998	2000	2003	2005	2008
Operators (Number)	896	860	840	408	198	108
Subscribers (000)		8,145	5,062	2,323	519	217
Penetration (Per cent)		55	32	14	3	1

Source: KBC (2000, 2007), KCC (2009), Lee (2009, 128).

The first stage, between 1990 to around 1994, is called the “exclusion” of CATV in the new media. Put simply, the government was reluctant to allow the participation of the old platform in new media development. During the design of the cable TV structure, CATV was at the centre of the discussion because it already occupied a large portion of the local market. However, the government rejected the CATV operator’s request to participate in local operators (SO) or the construction of the cable network (NO). As has seen so far, the CATV was still a powerful media in terms of penetration and technology facilities when the government initiated the cable TV project. Yet policy-makers claimed it to be “old media” and believed the platform would not be suitable in the multichannel era. In fact, the rising illegal actions dubbed it a “polluter in the broadcasting market”, while industrial organisations such as KCTA encouraged the government to exclude the participation of CATV in the cable industry.

However, during the second stage, the “recognition” period (after the launch of cable TV), the government gradually acknowledged their misjudgement regarding the cable TV framework. Initially, state and industry had expected the decline of CATV because of its inherent weakness, such as in capital and business structure.⁵⁰ However, as Table 5.8 shows, the arrival of cable TV in 1995 pushed the growth of CATV in contrast to the government’s expectations. Moreover, during the economic crisis, CATV had become the leading multichannel platform instead of the new cable TV.

At this stage, we must not overlook inconsistency of cable TV and CATV policy. It can be argued that inconsistent cable TV policy caused the failure of the platform and the rise of CATV by the end of the 1990s. Media policy can be seen as a political action based on a complex range of political values and objectives (Freedman, 2008). As far as media policy on the relationship between cable TV and CATV is concerned, the disagreement and conflict between government agencies provoked the problem. MPI advocated the development of new media, while MIC was the proponent of CATV because it was under its jurisdiction. For instance, when MPI announced a plan to firmly crack down on illegal actions in CATV, in a bid to encourage the development of

⁵⁰ In fact, 70.6 percent of operators connected approximately 0.5 million households, while approximate 92 percent of operators among 860 operators provided services as an individual entity rather than as part of a corporation structure (KBC, 2000: 50).

cable TV, MIC disputed the measure. MIC embraced CATV with a liberal policy, arguing it to be an appropriate platform to deliver cable channels (Lee, 2009). In this sense, the revision of cable TV policy and subsequent integration of the relevant laws were an inevitable solution, a way to save the staggering cable TV industry as well as embracing CATV in the emerging pay TV market. A key measure was the invitation of CATV operators to become a network operator or a cable TV operator (SO), in spite of opposition from the proponents of cable TV.

The third period, named “inclusion”, is the institutionalization of CATV. More concisely, with the introduction of an ‘overbuilt policy’, the government bridged the old and new media. The overbuilt policy refers to the introduction of multiple operators in franchise to stimulate competition (Head et al., 1998; 348). In theory, a local cable operator has the exclusive right to the franchise, compared with DBS providing access across borders. However, following the Cable Act of 1992 in the US, the regulatory authorities introduced an overbuilt policy. Modeled on the US structure, despite a quite different background, the government attempted to give an opportunity for CATV to participate in the cable TV service. The overbuilt policy became a turning point for CATV. During the licensing of the 3rd (2001) and 4th SOs (2002) under KBC leadership, almost 400 CATV operators became SOs. Moreover, the penetration fell to 14 per cent in 2003, from 32 per cent in 2000, reaching only a small share in the pay TV market by the end of the neoliberal government. The policy resulted in a mixed response from interested parties. For audiences, it enhanced choice in selecting pay TV operators together with a satellite TV service which started in 2002. Meanwhile, it can be argued that this marked “the end of CATV”. To summarise, the rise and fall of CATV shows that public policy is a decisive agent in determining the future of media platforms.

5.6 Conclusion

This chapter has dealt with the expansion of cable TV and the demise of the CATV service by the early 2000s. Through this period, the government’s goal was to promote a new multichannel service, cable TV, replacing the old CATV. However, cable TV did not expand as fast as had been expected, despite strong government leadership. Instead, public intervention exposed limitations when the adverse environment engulfed,

especially during the Korean Economic Crisis, the new born cable TV. In examining the rise and fall of cable TV and CATV, we have learned some lessons. The first one is that the success of new platforms is largely dependent on the socio-political background. It has witnessed how the regulatory framework is important to determine the development of the pay TV platform. It has identified technology itself is not enough to secure smooth media development. Secondly, we have observed that the media policy is the decisive agent in media development. Both cable TV and CATV's market share have significantly changed in line with media policy change. Clearly, the implementation of deregulation on cable TV has contributed to the expansion of cable TV, while it left the demise of CATV. Last but not least, public broadcasters and cable TV continued to enjoy a constructive relationship until early 2000, in contrast to other platforms (see subsequent chapters).

This chapter has revealed the early lessons in strong government intervention and how market-oriented policy has shifted the media market. For the cable TV sector, the result of liberal measures was the turning point to unprecedented growth, while this gave momentum to the decline of CATV. In this process, we have seen the transformation of the media market when a new media, cable TV, replaced the old CATV service. The next chapter will examine the development of DBS, conventional rival of both cable TV and public broadcasters and the rising competing interests in mid-2000s.

Chapter 6 Satellite TV: inconsistent policy and the role of competitors

6.1 Introduction

One of the key pay TV operators in the media market is DBS. Its key technology is the intangible microwave, which can bypass national boundaries to allow audiences access to transnational channels as well as the local ones. However, the development of DBS and the increase of transnational channels have drawn public concern. Particularly, doubt has been expressed by established broadcasters and policy-makers because of its significant impact on local markets. Incumbent operators such as cable TV and public broadcasters deemed DBS would create inevitable competition over advertisement revenue and viewership. Overtaken by these events, the government has been forced to respond. For government, perhaps, the most evident concern is how state sovereignty is affected by transnational channels. Although a growing body of literature is addressing the subject,⁵¹ the conclusions vary considerably as to the degree of the government's role. A prevailing argument is that the emerging DBS service and cross-national organisations represent the latest assault on the state's sovereignty. This school argues that the advent of new electronic media coupled with globalisation weakens the government's role and endangers the cultural integrity in a nation. Other observers, in contrast, have found such rosy promises are unconvincing since government still remains a decisive agent.⁵² Meanwhile, for policy-makers, the issue draws attention to the question of whether the domestic market should be protected or opened to transnational channels, amid the politically, socially, and economically shifting media environment.

Based on the above assumptions, this chapter addresses the role of the state in the policy-making process, focusing on the development of the DBS platform. Also, the chapter examines how established operators, namely cable TV and public broadcasters, have responded to the new DBS in liberalised markets. In doing so, we will argue that the government can still exercise its sovereignty, while enforcing global forces and the pervasiveness of new platforms. Yet, we will also argue how coherent media policy is an important agent to the development and expansion of a new platform. This chapter

⁵¹ See Morris and Waisbord (2001) and Mowlana (1996).

⁵² See Levy (1999) and Curran and Park (2000).

consists of three interrelated phases. The first phase, the pre-2000 phase, preparing the regulatory regime on DBS, will examine contrasting views of DBS among interested parties. The second phase, the licensing period, will discuss the subject of who owns the platform together with local answers to global pressures. Lastly, in the third phase, we will examine the struggles of DBS and its causes, focusing on the role of competitors and media policy. The chapter begins with the examination of DBS and politics in a global perspective.

6.2 Satellite TV and politics in the global context

The creation of satellite TV is remapping the media industry. Unlike the cable TV service, whose service is limited by national boundaries, the development of satellite TV is establishing unprecedented changes (see Chan, 2001; Humphrey, 1996; Thussu, 2000). For instance, Chalaby (2007) argues that the shift can be characterised as transnationalisation, individualisation, deterritorialisation and cosmopolitisation. During the early era of satellite TV development, the European Commission (1983) stated:

The new telecommunications technologies, and especially direct broadcasting by satellite, will inevitably lead to a proliferation and an internationalisation on TV broadcasters in Europe by the end of the decade... In global terms, the new technological developments will enable Europe to make a great impact compared with its major competitors, both industrially and culturally-provided a common policy is launched without delay (Cited in Weymouth, 1996: 24).

In terms of the domestic market, the arrival of the DBS service together with cable TV have posed a threat to established operators. Concisely, new multichannel operators via satellite communication have forced the public broadcaster to redefine its strategies to protect its interest in the media market (see Chapter 3). In the meantime, referring to the global level, the increase in transnational channels or spillover has been drawing public concern. Because of its impact on cultural identity, policy-makers must make policy decisions on DBS in a timely manner. Meanwhile, transnational channels led by global media corporations have employed localisation strategies such as dubbing, subtitling, or local advertising to attract local audiences and overcome regulatory barriers.

Historically, commercial channels beyond the reach of national sovereignty have faced a restrictive legal environment. The fear of eroding cultural identity through transnational

channels has enforced governments to employ protective measures (see Chalaby, 2009: 46-7). However, due to increasing pressure from the combination of new technology and commercial interests, governments can no longer sustain these regulatory. In this context, the TWF in Europe no doubt represents a liberal policy because it emphasises the need to construct a single, transnational broadcasting market at least at the European level (see Collins, 1994: 82-83; Feintuck and Varney, 2006: 212; Wheeler, 2004). Nevertheless, the government's response to cross-border channels varies considerably, as Chan (1994a) identified in the survey of several Asian nations: Singapore's DBS policy can be characterised as virtual suppression, Malaysia as regulatory openness, Taiwan as illegal openness and India as suppressive openness. According to his observations, Korea, together with Japan and Israel, can be classified as practising 'regulatory openness', where these countries open themselves up to Star TV but retain control over redistribution (*Ibid*, 115). Indeed, the government employed different regulations on transnational channels via satellite TV.

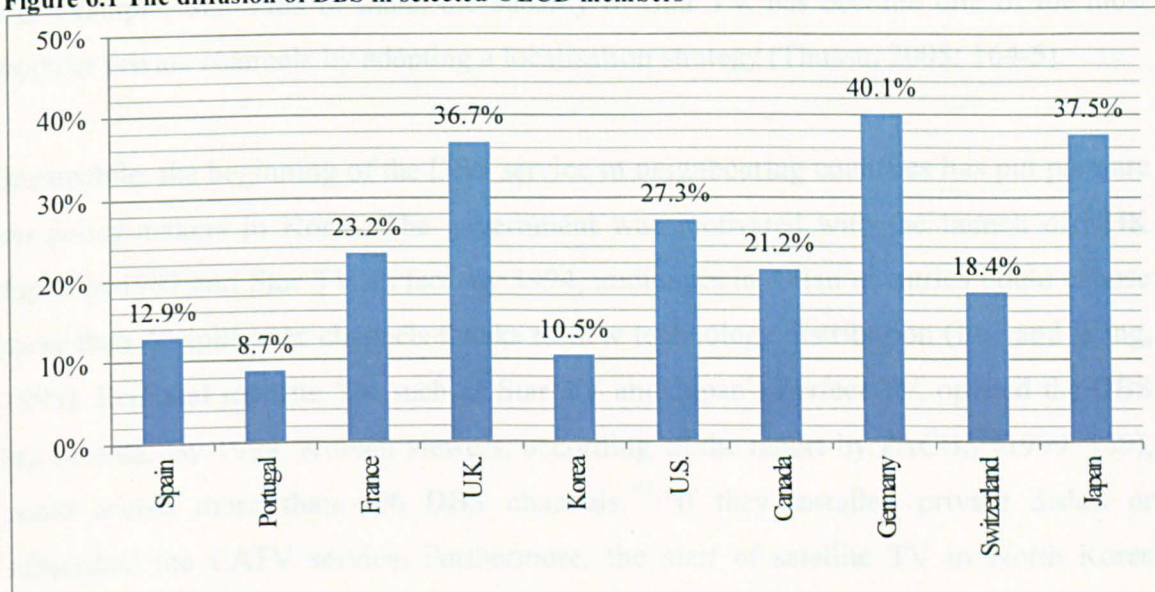
The growth of the DBS service

One can easily observe the exponential growth of the satellite TV market. According to the OECD (2009), satellite TV diffusion is uneven among its member nations. Table 6.1 depicts the survey conducted by the OECD which illustrates the diffusion of DBS. In Europe, Germany and the UK have a moderate penetration, reaching 40.1 and 36.7 per cent of households, respectively, while Portugal and Spain record a low penetration. However, closer examination reveals distinctive patterns over time. France and the UK have recorded an average of 27 and 29 per cent growth, whereas Italy and Spain showed similar growth rates, achieving 40 and 60 per cent (Screen Digest, 2004). By contrast, Germany recorded merely 13 per cent average growth over the life of its DBS system, while it has been connected to over 40 per cent of households in recent years.

Despite unparalleled growth in DBS, DBS as a new pay TV platform is ushering in a new age of transnational broadcasting structures in Europe (Humphrey, 1996: 166-70). For instance, in the UK, BSkyB, owned by News Corporation, has become arguably the dominant media outlet, exclusively offering sports rights and film distribution. Although its share is about 37 per cent, as of 2008, its influence in the media market is hugely

significant. As was noted earlier, Mark Thompson (2010), the Director-General of the BBC, warned about the concentration of the UK market in the hands of News Corporation's combined press corporations. In addition, since 2010, News Corporation's bidding to increase its share in areas which it does not own has drawn criticism, despite its failure due to the phone hacking scandal in 2011.

Figure 6.1 The diffusion of DBS in selected OECD members



Note: As of 2006 or 2007, percentage of households.
Source: OECD (2009: 192).

Satellite communication in the US was primarily created as a vehicle to deliver cable TV programming in the mid-1970s. As Gershon (1999: 49) noted in relation to the "satellite-cable interface", HBO's adaptation of satellite communication in 1975 has changed not only the cable TV industries but also the broadcasting market. However, with the arrival of the DBS platform in the mid-1990s, it has been able to compete with cable TV in the pay TV market, with its share account of about 27 per cent, while the latter connected more than 60 per cent of multichannel distribution markets as of 2007 (FCC, 2009).

In Asia, the penetration of DBS has been relatively low, except for Malaysia and New Zealand, where the accessibility of cable TV is limited (Informa, 2007a: 8-9). The rapid economic growth in the region has driven the government to introduce commercial media and attract investment from multinational corporations. In terms of satellite TV development, we must not overlook the importance of Star TV (see Thussu, 2000). The

historic change in satellite TV in Asia occurred in 1991, when Star TV, owned by News Corporation, started its service, covering the most Asia continent. Regarding this event, the *New York Times* noted that 'Mr. Murdoch has brought himself at least the potential of reaching two-thirds of the world's population.... As a result, he is now close to creating the first truly global TV empire' (Shenon, 1993). In just two years after the launch of the service, it achieved over 11 million subscribers across 12 nations (Lee and Wang, 1995). For example, Star Plus in India, the subsidy of Star TV, has become one of the most popular private channels by adopting a localisation strategy (Thussu, 2005: 164-5).

Meanwhile, the beginning of the DBS service in neighbouring countries has put pressure on policy-makers in Korea. The government was motivated with the launch of NHK Japan in 1987 and Star TV. In fact, by 1994, audiences in Asian countries could choose more than 40 spill-over channels thanks to new technology distribution (Lee and Wang, 1995). Regional satellite TV, such as Star TV and Japan's Perfect TV, opened the DBS era in Asia. By 1999, Korean viewers, according to the report by PACBS (1999: 159), could access more than 300 DBS channels,⁵³ if they installed private dishes or subscribed the CATV service. Furthermore, the start of satellite TV in North Korea pressured the government to speed up the preparations for the legislation.⁵⁴ However, the Korean DBS had barely begun in the early 2000s, due to rising conflicts among stakeholders, as we will examine in this present chapter. In short, the development of satellite TV has constructed a new order in the national media market. However, the key concern is how the government will embrace the new technology, while attempting to balance the interests of incumbents and new entrants.

6.3 The first phase: The DBS policy and conflicting interests

6.3.1 The national project and the justification of DBS

In examining the launch of DBS in Korea, we will begin with the established goals of DBS. It should be emphasised that DBS was labelled as a national project. Generally,

⁵³ The channels include digital CCTV and CSTV of China, Sky Perfect TV of Japan, PHTV of the Philippines and Discovery, Disney and ESPN of the US.

⁵⁴ The country inaugurated its pilot-service in June 1999, using Ticom 3 satellite communication in Thailand covering 126 countries. Given the confrontation between both Koreas for decades, the event undermined the government's purpose which was to achieve the so-called "One Korea by DBS" (KPI, 2000: 57).

satellite TV is perceived as a commercial medium, but in Korea, it was regarded as an important government project. Like cable TV service, this idea began in a manifesto during a presidential campaign in the late 1980s (see Chapter 5). In 1989, President *Ro Tae-Woo* (1988-1993) announced the *KoreaSat* project, the launch of domestic satellite communication, appointing KT, the state telecommunication corporation, as the sole investor. The key feature is that the government employed analogue technology over digital one (see the discussion below). As a national project and with industrial justification, the government encouraged the largest conglomerates, such as Samsung, LG and Hyundai to develop related forms of equipment. By 1995, in order to launch domestic satellite communication, the government through KT, invested at least 145.2 billion KRW (US\$ 120.5 million) for the manufacturing costs alongside 95.7 billion KRW (US\$ 79.4 million) to cover indirect costs (Sohn, 2000). In fact, the government continued its hardware-oriented development.

With the publication of various reports, the consecutive administrations, regardless of their political colour, echoed the rationale for DBS: the *Commission on Broadcasting Institutions in 1989*, the *Commission on an Advanced Broadcasting System in Five Years* in 1995, and the *Commission on Broadcasting Reform* in 1999 (see Chapter 2). Like the UK, where the government initiated the inception of DBS for economic and commercial reasons (Humphreys, 1996: 172), the Commissions positively suggested the need for a domestic DBS service. The underlying goals for DBS can be summarised four objections: the cultural welfare of viewers, the acceleration of the information society, the strengthening of the content industry, and the homogeneity of a One Korea (see Park and McDowell, 2004; Won et al., 2000). Firstly, like the cable TV service, the government expected to enhance channel choice for audiences by introducing new multichannel operators. Secondly, it also considered DBS as part of an information infrastructure to prepare Korea's move into the information society (see Webster, 2006a), in which ICT would encourage a reconstitution of the society. Indeed, in order to achieve the goal, the government also encouraged the development of high-speed broadband, the proliferation of computer and cable TV in the 1990s.

Thirdly, the government planned to stimulate the domestic programming market with the launch of DBS (Won et al., 2000: 77-9). With the expansion of the broadcasting

market, the government planned to promote a healthy content market as well as global competitiveness. In this phase, we will see the so-called “balanced development policy”. Broadly defined it is a media policy based on cooperation rather than full-fledged competition between different media platforms. Established in the 1990s, it refers to policy measures taken in the harmonization of media platforms, such as cable TV, satellite TV and public broadcasters (see Park and Choi, 2008). Admittedly, this was a significant government argument for intervening in the media market during the neoliberal government. Policy-makers believed that a constructive relationship in media organization could promote the audiovisual industry and new platforms. Accordingly, the government expected to protect the domestic market from transnational channels and global media corporations by the introduction of DBS.

Lastly, the government expected that DBS could possibly be a vehicle for reunification with North Korea, which had been isolated since the post-war period. At the same time, the government expected the DBS service to serve as an agent to promote Korean cultural products beyond the Korean Peninsula. In fact, such objectives as increasing audience choice and providing a cultural vehicle for the international media market were the government’s top priority in the launch of satellite TV. In August 1995, KT finally launched *KoreaSat 1*, followed by *KoreaSat 2* and *Koreasat 3* in 1996 and 1999, respectively, as a form of back-up satellite communication. To recapitulate briefly, the development of satellite TV was a success story by the mid-1990s, being pushed forward by the government. The hardware-oriented policy in particular thanks to the cooperation of large corporations under government leadership, attained technological success. Yet technology success is just the beginning of the launch of DBS service.

6.3.2 Rising conflicts on DBS policy

The development of new platforms establishes rival interests between stakeholders. In the DBS context, rising conflicts between interested parties led to the suspension of the service. When a new TV platform emerges, policy-makers are under pressure to balance ‘conflicting considerations’ and to ‘engaging in difficult technical matters’ (Hutchison, 1999: 62). With respect to DBS, it can be argued that three competing interests, namely government, industry and political levels caused the dispute. The gravity of the dispute

is well depicted in a newspaper statement that ‘for the last three years (from 1995-1998) about 1 billion KRW (US\$ 100,000) per day is being wasted on satellite communication due to the absence of a legal foundation’. Indeed, satellite communication barely made its debut as a pilot test and continued this way until the early 2000s.

The government level: dispute on the technology standard

Firstly, a conflict of interest occurred in government agencies over the technological standard of DBS. The setting or control of a technology standard is a sort of government intervention in order to facilitate compatibility, quality and safety in the sector (Picard, 1989: 90). Specially, disagreement was over whether to adopt analogue or digital DBS. As was noted earlier, although the government had already decided on an analogue standard, the two authoritative government agencies, MPI and MIC, could not agree. Stressing the superiority of the digital standard, MIC claimed that new technology could promote more export by leading the international standard discussion (You, 2006: 11-6). Moreover, it argued that if Korea launched digital DBS rather than analogue, its capacity could surpass the analogue DBS services of neighborhood countries.

By contrast, MPI claimed that the shift in the technology could delay the launch of the DBS service, pinpointing the important factors such as popular content and channel line-up (Ibid, 11-6). Additionally, MPI asserted that digital DBS could be a hazard due to the technology still being in its infancy. In fact, by 1993, the dispute deterred further discussion on the policy because whatever technology chosen would require drastically different policy considerations. During this exchange of sharply contrasting views, it is worth mentioning the response of public broadcasters. The major broadcasters took MPI’s side because they foresaw how digital DBS would threaten their status quo (Interview, 2009). Public broadcasters aimed to exploit the dispute to gain more time for the potential rival. In contrast to their benevolent attitude towards an emerging cable TV, it can be argued that public broadcasters were not friendly towards DBS even from the beginning.

The industry level: market model or public model

Technological invention, as Harvey (2000: 217) argued, cannot guarantee the diffusion of new platform because it largely depends on media policy. As has been noted elsewhere, TV is perceived as an important implication in terms of the political, social and cultural context. Also, we noted that economic feasibility is an important element in the launch of pay TV platform in the commercial media environment. However, contesting views arose as to whether Korean DBS was following a “public model” or a “market model”, while the government departments were at odds over technology standards. The public model, as observed earlier, refers to social needs which cannot be met entirely through the market mechanism and claims that public intervention is inevitable in the media market. In contrast, the market model refers less public intervention can not only guarantee freedom of expression but also a socially desired market (Croteau and Hoynes, 2006: 17, Kuhn, 2007: 42). Despite these contrasting arguments, the two sets of values, the pro-market and public interest models are not simply mutually antagonistic. Proponents of each side put enormous pressure on policy-makers (see Table 6.1).

Table 6.1 The confrontation on the DBS policy

Subjects	Market model	Public model
Timetable of DBS	Early introduction	Suspension
Conglomerates, newspapers and foreign capital	Permission	Strict regulation
Investment from PSB	Prohibition	Permission

Source: author's analysis.

The proponents of the pro-market position on the DBS service argued that the government should allow the DBS service as soon as possible (You, 2006: 25-36). Against MIC's intention, industrial organisations and the MPI insisted that the early deployment of DBS would not only boost the domestic content market but would also enable it to become a leader in the global DBS industry. In using this logic, the largest print corporations and conglomerates expressed their desire to participate in DBS, insisting on a light ownership restriction in DBS. Furthermore, they argued that they were the only suitable DBS operators who could compete on global corporations in terms of finance and technology.

However, proponents of the public model criticised the commercialists' argument. Civil

organisations asserted that the government should delay the DBS service, considering the weakness of the domestic programming market (*Ibid*). The advocates of this argument claimed that the arrival of DBS could destroy the public broadcasters, as well as the newborn cable TV, due to the overcrowding of platforms in a limited domestic market and the concern for intensified commercial competition. In fact, as was seen in the previous chapter, cable TV was already experiencing difficulties since its launch. Furthermore, public model proponents insisted that the government should not allow foreign capital, press corporations and conglomerates to participate in DBS for fear of concentration.⁵⁵

An alarming point is the response among the trade unions of public broadcasters. Industrial organisations of the public broadcasters (on behalf of the managers) insisted that the DBS project could only be a success with the participation of existing public broadcasters, emphasising their superiority in content production and capital ability (Interview, 2009). Actually, the broadcasters did possess such abilities thanks to its monopoly of the broadcasting market (see Chapter 2). In order to demonstrate their argument, the unions took industrial action several times at the end of the 1990s.⁵⁶ They even argued that all public broadcasters would go on a general strike if the government permitted the participation of conglomerates and newspapers which was proposed by MOC. Ostensibly, the unions were against further commercialism of the media market. However, it can be argued that underlying intention was to hinder development of DBS and to participate themselves (public broadcasters) in DBS.

The political level: an uncompromising subject and an impasse

Media policy is a compromise between interested parties. Parliament, in particular, is the most significant place for rival interests to debate in the name of the public (Künzler, 2009). However, when referring to the satellite TV policy in Korea, even political

⁵⁵ As was examined in Chapter 2, the major terrestrial broadcasters in the mid-1990s, KBS, MBC and SBS, overwhelmingly dominated the broadcasting market in respect of shares and advertising, while cable TV was still in its infancy. Also, three national newspapers, *Chosun Ilbo*, *Dona Ilbo* and *Joongang Ilbo*, dominated the press market, accounting for more than 70 percent of its readership.

⁵⁶ In December 1995, KBS, MBC, CBS and EBS endorsed the general strike by 68, 80, 96, 86 percent, respectively (KPF, 1997: 14-5).

parties had their own interest. In 1995, MPI proposed a draft⁵⁷ to the National Assembly and await a decision by politicians. The submitted bill stipulated that domestic conglomerates and press corporations could own a maximum of 33 per cent of DBS stock (KPI, 2000). Yet, this was just the beginning. After dragging the proposal along for an unprecedented five years, it was finally approved, only being favoured by the neoliberal government ruling party. For example, during a discussion in the National Assembly in 1999, there was growing antagonism among the government, political parties, civil organisations and trade unions. In October 1999, more than 300 NGOs organised anti-government activities, such as *the Citizens Coalition Fight for a Democratic Broadcasting Act*, against the law. Also, the *National Union of Media Workers* threatened a general strike,⁵⁸ accusing the government of introducing an ownership clause. What is interesting to note is the political parties' response. The ruling party at that time, the *New Korea Party*, intentionally avoided the review process in order to escape the criticism for being too liberal in its approach to ownership. It should be noted that the ruling party also acknowledged the problem of ownership by conglomerates and was under extreme pressure. By comparison, the opposition parties claimed that large conglomerates should not be allowed to invest in DBS for fear of concentration. Alternatively, two opposition parties, the *National Congress for New Politics* and the *United Liberal Democrats*, announced a revised draft in 1996, stipulating the prohibition of conglomerates and of newspaper corporations (KPF, 1997: 14-5). In the end, this case reminds us of the study of Suine and Rolland (1986: 21), which argues that political party decisions largely depend on supporter interests rather than the public interest.

One surprising point is the neoliberal government's response on the subject of ownership. As the leading opposition party until 1997, it argued strongly against the participation of conglomerates in DBS, accusing the dangers of concentration (You, 2006: 18). However, after they won the president election, the Kim Dae-Jung government (1998-2003) proposed soft regulations on DBS ownership. He even met

⁵⁷ The draft was a reflection of the commission report, namely the '*Five-year Broadcasting Development Plan*'.

⁵⁸ The organisation made four other demands: to maintain the independence of the Korean Broadcasting Commission, which would be established following the legislation, to hold public hearings during the appointment of its board members and its chief executive, to set up a programming committee, including union members, and to impose restrictions on ownership in commercial broadcasting (You, 2006: 116).

Rupert Murdoch who visited Korea to invest in DBS and promised that the new government did not object to investment from News Corporation (see below). This was in stark contrast to the new government's policies in that it aggressively accused the conglomerates of causing the economic crisis and it imposed strict regulation and restrictive programming under IMF supervision. The policy process, as Dahlgren (2000: 24) argues, can be understood political negotiations, in which regulation is a compromise solution between competing interests". However, as far as DBS is concerned, politicians were uncompromising in the subject. So far, we have explored the tensions between competing rationales among the government, industry and political parties and identified that media policy is a contentious area among stakeholders.

6.4 The second phase: who owns the satellite TV

6.4.1 The pressure of globalisation and local answers

Policy-making process is under pressure in the global capitalism era. The advent of global corporations and their impact on the local market is an unprecedented phenomenon (see Chapter 3). The media has played a 'unique role' in the process of preservation of the cultural heritage and the promotion of indigenous cultural identities (Harvey, 2002: 218). However, what remains in question is how the local government and media will respond to it when transnational channels and foreign content attempt to influence the domestic market. A prevalent argument is to adopt protection measures to tackle media imperialism, in which one-side form of information flows by few advanced nations, as we have seen earlier. One example is the Korean government's policy on Japanese products. The Korean government has been hostile to cultural products from Japan for historical reasons.⁵⁹ Officially, until the mid-1990s, Japanese programming was not allowed on cable TV as well as on public broadcaster. Yet, audiences could access Japanese channels if they installed a private dish or subscribed to the CATV service (Kim et al., 1994: 219).⁶⁰

⁵⁹ The unique relationship between Korea and Japan, in which the latter occupied Korea in the early 20th century, made the government prohibit the delivery of Japanese programmes on terrestrial stations, together with films on the screen, except in some exceptional cases. Only in 1998, more than 50 years after its independence from Japan, did the neoliberal government partially open up the market for cultural products in Japan. Although previous governments had passed no official law against it, the situation was as if cultural products from Japan went against national sentiment (Kim, 2008: 135-152).

⁶⁰ Since the 1990s, most of the CATV operators have illegally carried Japanese DBS channels to compete with the competitor cable TV (see Chapter 5).

However, the enforcing international order calls for governments to take remedies. Generally, the audiovisual industries had been left out of free trade agreements due to the cultural exemption when the Uruguay Round came into effect in the 1995. However the establishment of the General Agreement on Trade Service, administered by the newly-formed World Trade Organisation (WTO), challenged measures of protectionism for the cultural industry (see Flew, 2003; Freedman, 2003). Faced with two new global institutions, Korea became a member of the WTO agreement on Trade-Related Aspects of Intellectual Property Rights and the OECD in 1995 and 1996, respectively. The transnational organisations have since sought to implement general free trade and the protection of property rights in goods, although the member states have divergent views. The enlistment of Korea into the new international economic structure signified that Korea was committed to neoliberal economic imperatives.

Indeed, facing with global discipline and the influence of transnational channels, the Korean government established a new policy. It devised a comprehensive, rather ambitious plan for the media industry. The plan was not only defensive in its strategy, but was aimed at promoting Korean content on a global level. On the defensive front, for instance, MIC regularly cracked down on CATV to prevent the illegal transmission of foreign channels. At the same time, the government introduced proactive strategies in other areas. Table 6.2 summarised that the state's plans initiated by MPI in the second half of the 1990s.

Table 6.2 Major global media plans by the Ministry of Information

Project	Owner/operator	Language	Services
Koreasat DBS (1996)	Korea Telecommunication	Korean	Channel service
Arirang International Broadcasting	Korea International Broadcasting Foundation	Korean, English and local languages	For oversea audiences
Arirang TV (1997)	Korea International Broadcasting Foundation	English, Japanese	For domestic audiences
Participant in Asia Channel	MPI	Multi-language	For audiences in Asian countries

Source: adapted Sohn (2000).

In the light of global perspective, the government set up the *Korean International Broadcasting Foundation* (KIBF) to launch foreign language channels aimed at both domestic and overseas audiences. In 1997, KIBF started the first full English channel

via cable TV. To encourage its penetration, MPI nominated its own channel, *Arirang TV*, as a public access channel, which all pay TV platforms must-carry. Meanwhile, KIBF was given financing support to launch the channel in overseas markets. As of 2000, the channel provides services to Europe, Africa and America, by using international satellite communications (KCTA, 2000b). Although the launch of Arirang TV was successful, other plans faced difficulties. The Asian channel project ended with financial problems under, while DBS still awaited a political decision.

Before we move into the next section, we look at liberal policies on foreign operators in the Broadcasting Law of 2000. Firstly, the law permits cable TV and DBS operators to carry up to 10 per cent of foreign channels within the total operating channels. In fact, this was the first official allowance for pay TV operators to deliver transnational channels. Secondly, according to the decree of Law, foreign capitalists can invest a maximum of 33 per cent in pay TV platforms, with the exception of news channels. Lastly, in respect to programming, the decree permits up to a 50 per cent quota in pay TV channels, with some exceptions in the areas of film, music and animation. In fact, under the new government, the clauses were undoubtedly favourable to global capitalists. In short, the rapidly changing media environment in the late 1990s forced the government to respond. However, its measures failed to achieve the expected goals, with the exception of few projects.

6.4.2 Selecting DBS operators: openness or protection

Who should operator the Korean DBS service? In the era of globalisation, one of the most glaring conflicts is between global and local corporations (Goonasekera and Lee 1998). The successful implementation of the bidding process to select a single DBS operator would become a major indicator for the neoliberal government's media policy. Until the very final stage of the selection process, no one could predict the outcome. At the closing November 2000, the KBC received proposal form two consortiums: the *Korean Digital Satellite Broadcasting* (KDSB) and the *Dacom Satellite Multimedia System* (DSM). Whereas the former was managed by KT and the major public broadcasters, the latter was composed of Dacom (a subsidiary of LG, the telecommunication corporation) and SK telecom, both KT's rivals, and Rupert

Murdoch's News Corporation. Although the major stakeholders in each consortium were telecommunication corporations, attention was focused on the participation of public broadcasters and News Corporation in KDSB and DSM, respectively.⁶¹ Admittedly, prior to the bidding process, one could see the rising criticism against foreign capital. A newspaper remarked "Murdoch's participant would lead to the collapse of the Korean media market" (*Hanguk ilbo*, 2000), accusing global media corporations of eroding the local market. Similarly, advocates of the public model in satellite TV claimed that only a local consortium would be able to save the local market from global capitalism. It was reminiscent of the mid-1990s, when the government drafted the legislation, which led to a serious conflict between the market model and the public model, as noticed above.

Obviously, the conflict intensified during the bidding process. DSM criticised the participation of public broadcasters who already had a monopoly in the incumbent media and who now wants a share of the commercial sector. In fact, by 2000, the major PSBs, KBS, MBC and SBS accounted for around 90 per cent of the nationwide advertising market, while cable TV faltered (You, 2006: 126). Meanwhile, on its surface, the DSM had an advantage over KDSB. As was noted above, then elected president Kim had give his word to protect the investment of News Corporation. On the other hand, KDSB, advocated by civil organisations, insisted that the participation of News Corporation would rapidly eclipse the local market. Unsurprisingly, the local consortium one won over foreign capital. In December 2000, KDSB, composed of the major public broadcasters, defeated DSM. A study by Park and McDowell (2004) attempted to explain the circumstances surrounding the outcome. The government adopted a plan to ensure the success of the service by exploiting the participation of the public broadcasters in content production. Additionally, according to the study, the government considered KT's professionalism in satellite technology since the development of satellite communications. However, as many interviewees point out (2009), the decision was the expression of the government's reluctance to allow global corporation in the DBS under the influence of local interest groups. In other words, as the neoliberal government's political background was based on civil organisations, the

⁶¹ Actually, there is also a concern that must be raised about the expansion of the dominant telecommunication corporations into the pay TV market under the separate regulatory system that existed then.

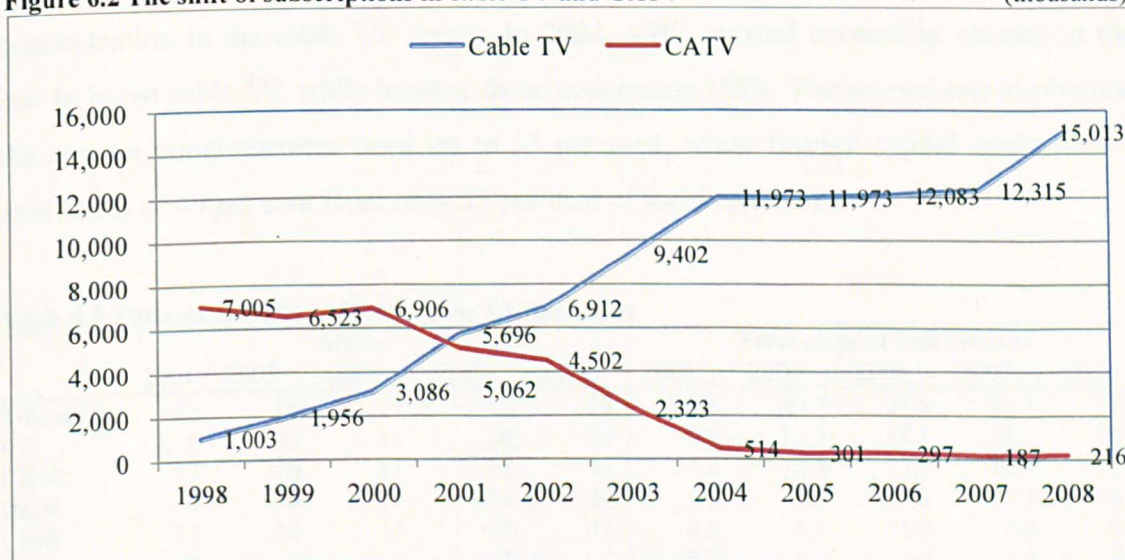
government deliberately chose in favour of the local corporations. However, ownership by major public broadcasters and telecommunication giants, turned out to be a problem for the service, as we will examine below.

6.5 The third phase: the struggle of the DBS and the existing competitors

6.5.1 Liberal policy and the concentration of cable TV

Before the thesis turns to assess the performance of DBS service, we must look at the shift of the pay TV market, focusing on cable TV. Korea had a long tradition of state intervention in the media market. As we have seen in the previous chapter, cable TV was not an exception and the sector faced hardship in the early years of its inception mainly due to strict regulation. However, the introduction of a liberal policy on the cable TV under the neoliberal government has transformed the industry.

Figure 6.2 The shift of subscriptions in cable TV and CATV (thousands)



Source: Adapted KBC (2007) and KCC (2008a).

As Figure 6.2 shows, subscribers in the cable TV market rapidly increased with the decline of CATV. By 2008, it occupied over 80 per cent of pay TV households across the nation, reaching over 15 million. Thanks to liberal policies, CATV was removed from competition and cable TV rapidly gained market share. However, the concentration in cable TV after the introduction of the liberal policies cannot be overemphasised. At this stage, let us look at the discussion of deregulation (see also Chapter 4). Deregulation, as Murdock argues (2000: 41), stresses the change in

government intervention ‘from a defense of the public interest to a promotion of corporate interests and from cultural goals to economic priorities’. Yet the problem is the fear of concentration as a result of deregulation. The concentration is not a new subject in the media market but the core argument is that excessive concentration can endanger media pluralism (see Iosifidis, 2010). In this context, Baker’s study (2007: 163) gives us an insight into why media ownership is favourable to dispersal. He put it as follows

The dispersal provides for a presumptively more egalitarian distribution on power within the public sphere, reflecting normative premises of democracy. Dispersal also provides various democratic safeguards - both safeguards against undemocratic, potentially demagogic abuse of power safeguarding in the form of likely better performance of the media’s watchdog role. Finally, a major cause of media dysfunction reflects market incentives to focus maximally on the bottom line rather than on quality and media that people value.

According to Noam (2010), concentration in the media market is intensified due to three overlapping forces: the growth in the economies of scale, the lowering of entry barriers, and digital convergence. Of these three, the first two have significantly driven concentration in the cable TV sector. In 2004, KBC revised ownership clauses in the law to boost cable TV, while leaving those concerning DBS. The revised law eliminated the cap on conglomerates from up to 33 per cent, while foreign capital could own a maximum of 49 per cent from only 33 per cent of local operators.

Table 6.3 The concentration of local cable TV operators

	MSOs					Percentage of total revenue				
	2004	2005	2006	2007	2008**	2004	2005	2006	2007	2008**
T-broad	22	19	17	15	15	20.8	20.7	21.9	21.2	22.8
CJ	8	13	15	14	14	9.0	16.5	18.1	18.1	19.4
C&M	17	16	15	15	15	17.4	18.3	15.9	17.9	17.3
HCN	8	8	11	11	10	5.5	5.1	7.1	7.1	6.9
CMB	17	12	13	12	12	8.6	5.1	5.9	5.0	4.3
Qurix	8	6	6	7	7	5.5	5.2	5.2	5.3	5.9
GS	2	2	2	2	2	2.3	4.2	4.4	4.1	3.9
On media	6	4	4	4	4	3.7	2.9	2.6	2.6	2.6
MSO	88	80	83	80	79	72.8	78.1	81.1	81.3	82.2
Total	(119)	(118)*	(108)*	(105)*	(101)*	(100)	(100)	(100)	(100)	(100)

Notes:

*After 2005, KCC, a regulatory institution, permitted M&A among SOs, which resulted in a decreased number of local operators. As of 2010, there are 102 operators from 119 services in 2003 across the nation (KCC, 2010b).

**By 2009, the MSO consisted of 83.7 per cent of the SO market with 80 operators in the nation (KCC, 2010b).

Source: KBC (2006, 2007), KCC (2008a, 2009a).

The crucial feature in the lifting of restrictive ownership was the horizontal

concentration of cable TV operators. Table 6.3 traces the shift of concentration at the hands of a small number of major players. In 2000, there were only four MSOs⁶², *C&M*, *Daeho*, *Dorunet* and *Ipack*, whose market share was about 34 per cent in terms of subscribers (KBC, 2000: 46). In 2004, however, 73 per cent of local operators were acquired by major MSOs, occupying 72.8 per cent of the total revenue (Table 6.3). By 2008, two MSOs, *T-broad* and *CJ*, occupied almost 80 per cent of SOs in terms of market share and revenue. The problem of horizontal consolidation is the abuse of market power. Without competitors, cable TV operators conducted monopolistic practices such as raising subscription fees and providing ill services (See Jung, 2005; Hong, 2004; Kim et al., 2005). As McChesney's argues (2004: 131), the concentration resulted in a shift in benefit 'from the customer to the producer'. As a whole, liberal policies reshaped local operators into competitive structure, as the government expectation. However, the concentration of the media market structure negatively affected frail DBS still in its infancy.

Cross ownership and concentration of content supply

Liberal policies implemented by the neoliberal government changed the content sector into a more concentrated structure as well. As in the SO sector, the ban on cross-ownership between PPs was accused of the ailing cable TV sector. The revision of the Cable TV Law of 1999, which permitted horizontal ownership, allowing MPP, became milestone for the content market. We should not overlook the fact that the introduction of cross-ownership motivated the creation of major conglomerates. Table 6.4 shows us that the major channel operators, who also supply channels to DBS, are occupied by a few corporations in terms of revenue and channel numbers. The implementation of deregulation created major content providers, such as *CJ* and *On media*. By 2005, the two giants, *CJ* and *On media*, were operating 17 and 16 channels, respectively, accounting for 25 per cent of the revenue in the PP sector (KBC, 2006). In 2008, however, the combined revenue of the two corporations reached almost 32 per cent, operating a total of 29 channels, some of which were the most highly-rated, such as those in the movie and entertainment genres.

⁶²There were also some small-sized MSOs such as *Shinwon* and *Seoulmunhwasa*, who each owned two SOs. Many of them were eventually merged into other bigger MSOs.

Table 6.4 The concentration of program providers

	MPPs					Percentage of total revenue				
	2004	2005	2006	2007	2008*	2004	2005	2006	2007	2008*
CJ	11	17	19	17	16	5.6	12.5	14.9	17.9	20.8
On media	12	16	17	16	13	14.0	12.2	12.3	13.5	11.1
SBS	6	7	7	4	5	5.4	4.7	4.9	5.6	6.3
MBC	4	4	4	5	6	5.6	4.3	4.7	5.9	5.4
KBS	3	4	5	5	5	2.6	2.0	2.0	2.4	3.1
Total	36	48	51	47	45	33.2	35.7	38.9	45.4	46.7
Per cent						(100)	(100)	(100)	(100)	(100)

Source: KBC (2005, 2006, 2007) and KCC (2008a, 2009a).

Meanwhile, the introduction of vertical and horizontal ownership has led to the emergence of multiple system providers (MSP), consolidating both the SOs and the PPs at the same time. *CJ media*, for instance, in 2005, occupied 18.9 percent of total cable TV revenue (including SO and PP), operating 15 SOs and 17 channels (KBC, 2006). Also, other major MSO groups, *GS*, *HCN*, *T-broad*, *On Media*, increased their market shares, accounting for 11.9, 8.7, 7.5, 5.8 per cent of revenue, respectively in 2005. By 2005, seven MSP operators occupied 60.6 per cent of total cable TV revenue. Such severe market concentration made small-sized or independent businesses difficult to provide services.

In this phase, what should be remembered is the participation of PSBs in pay TV. Public broadcasters exploited the restructuring period to expand their service. As of 2005, KBS, MBC and SBC operated a total of 16 channels, composing 11 per cent of revenue in the cable TV industry (Table 6.4). Indeed, increased advertising revenue through popular programming and repeats programming, which eclipsed that of other operators, created serious concerns about the dominance of the public broadcasters in the pay TV market (see Chapter 7). In short, liberal policies in the cable TV market have reshaped the sector from a marginal platform to the mainstream operators as the beneficiary of deregulation. Accordingly, the industry was dominated by a few major corporations but such severe concentration posed challenges to the new-born DBS.

6.5.2 The ailing DBS, its competitors and inconsistent policy

The launch of the DBS service was an historic event in Korean media history. On 1

April 2002, Korea's DBS, branded *Skylife*, began services as the second pay TV platform, following cable TV. *Skylife* began by delivering 144 channels, composed of 74 video, 60 audio and 10 pay-per-view channels which was possible due to digital technology (Skylife, 2007: 85). *Skylife* also transmitted eight foreign channels, including CNN, NHK World Premium and Disney channels, whereas initially cable TV was prohibited from retransmitting foreign channels. Then president, Kim Dae-Jung (2002), remarked that 'the successful launch of DBS is the outcome of a national project led by the government, a combined effort to balance the development of public broadcasters and cable TV.... The platform will greatly enhance the status of Korean culture abroad.' In fact, the launch of DBS was the beginning of a full scale competition among pay TV platforms for advertising revenue and ratings. Yet, in contrast to expectations⁶³, *Skylife* connected merely 2.8 million households, less than a 10 per cent share in the pay TV market by 2008.

Table 6.5 The figures of DBS (2002-2008)

	2002	2004	2005	2006	2007	2008
Subscribers (1,000)	302	1,297	1,826	1,999	215.2	235.4
(per cent of households)	(1.9)	(7.6)	(10.3)	(10.9)	(11.3)	(12.2)
Churn rate (%)	5.6	10.2	20.7	14.8	11.7	10.7
ARPU (KRW)	14,291	10,937	11,769	12,324	10,835	10,890
Profit (100 million KRW)	-1,162	-1,380	-792	36	43	21

Source: Adapted Skylife (2007), Skylife (2011).

In the beginning, DBS service reached barely 1.9 and 4.7 per cent share of national household in 2002 and 2003,⁶⁴ respectively (KBC, 2006). Referring to its financial output, it accumulated a deficit of 4,400 billion KRW by 2009, although it recorded its first net profit in 2006 (see Table 6.5). Kim Chun-Ki (2003: 380), the former Chairman of KBC and academic, described the output as "an honour without success". However, opinions are divergent on DBS's performance. Some studies claim that the performance is mainly caused by "public ownership". They accused both KT and public broadcasters, although major stakeholders, of passive investment. In fact, this is proven in the fund raising process of DBS. In corporations, capital accumulation and capital obtained are critical factors in the management of media firms in relation to growth (Picard, 1989:

⁶³ In 1996, the Electronics Telecommunication Research Institution, a publically financed organisation, predicted that the DBS number would be at least 3.5 million in six years, while *Skylife* itself estimated that it would reach more than 40 per cent across the nation (KCTA, 1999).

⁶⁴ In the first year, the platform boasted of its performance by comparing its penetration with those of Japan and the US, which achieved a penetration of only 0.5 and 0.6 per cent in the starting year and 1.45 and 2.2 per cent in the second year, respectively (Skylife, 2002).

84). In 2004, when *Skylife* offered additional capital, major public broadcasters were reluctant to offer additional investment, citing *Skylife*'s precarious situation. By contrast, other studies argued that discriminative policy caused the failure of the DBS service, as the *Daily News* (2009) dubbed it "a tragedy of the second platform". The argument focused on the government's favourable policy towards cable TV, as the first pay TV operator. In fact, in 2004 the government lifted strict regulations on the foreign investment cap of up to 49 per cent in order to revitalize the cable TV service, while it limited it to 33 per cent on satellite TV. Both arguments mentioned above can partly explain the DBS's performance. Nonetheless, the struggle of DBS can be explained by the inherent problems of the DBS service itself, its competitors and an inconsistent media policy. Let us look at the internal problems first.

It soon became clear that the main threat would come from inside the DBS. Despite several years of preparation and being a government-driven project, it ran into problems in just a few months. On the launch day, *Skylife* had already collected almost 650,000 waiting customers, but it could not connect them because of a lack of set-top boxes (*Skylife*, 2007: 95). Due to the shortage of set-top boxes, by May of the same year only one third of the listed customers were connected to DBS. Table 6.6 summarised complaints about DBS service in the launch year. In line with the expansion of the DBS service, the accumulating complaints damaged the operator in the early stage. As can be seen in Table 6.6, more than 80 per cent of complains came about because satellite TV subscribers no longer watch most popular public broadcasters' channels (see below).

Table 6.6 The complaints about DBS in 2002

Complaints	February	April	June	September	December	Total
Public broadcaster	1,327	5,867	4,555	3,991	6,542	54,254
After service	0	171	513	1,006	1844	8,321
Waiting for instalment	84	396	154	226	532	2,898
Others	5	118	104	104	257	1,447
Total	1,447	6,552	5,236	5,237	9,175	66,950

Source: *Skylife* (2008: 90).

However, the most critical subject lies in the channel line-up. As a commercial operator, the advantage of DBS is its distinctive programming, as was demonstrated in the success of BSkyB in the UK, where it exclusively offers sports and movie contents. Initially, *Skylife* provided more than 140 channels, boasting a digital method, compared

with cable TV offering less than 50 channels with analogue technology. However, there was nothing to differentiate itself from cable TV except for a few audio services. Its channel line-up was similar to that of its competitor. This demonstrated the importance of programming and popular content in commercial media: the consumers, as Goodwin (1999: 95-6) observes, does not choose channels because of how they are offered but because of how they compare with what they already have. To summarise, the absence of popular programming and an insufficient number of set-top boxes to meet demand in the infancy period undermined the expansion of satellite TV. Let us now examine the ailing performance of DBS in terms of its relationship with both cable TV and the public broadcasters.

The response from cable TV: concentration and anti-competition practices

A few giant cable TV operators, as we noted above, abused their power to interrupt the development of their rivals. As Murdock (2000) argue the concentration not only impacts on its market but also influences its competitors and suppliers. The consolidated cable TV industry exploited their MSO, MPP and MSP structure as a means to hinder a new-born competitor. One marked example was to refuse programming to satellite TV, despite content being one of the most important factors in the success of pay TV. In 2003, less than a year after the launch of DBS, two major MSPs, *On-media* and *CJ*, suspended providing their most popular channels on DBS, exclusively offering them to their cable TV line-up. In January 2003, *On-media* informed its customers that it would no longer provide three channels, *OCN Acting* (movies), *Tooniverse* (animation) and *MTV* (music). Additionally, *CJ* withdrew a major movie channel, *Home CGV* from the DBS's line up in the following month (Lee, 2009). In fact the large corporations deliberately put DBS at risk by the suspension of supplying content. For DBS, alongside the rise in churn rate, which reached more than 20 per cent in 2005 (Table 6.5), the absence of key channels exacerbated its situation, despite their alternative method.⁶⁵

⁶⁵ Faced with the challenge posed by its competitors, *Skylife* desperately tried to overcome it: *Skylife* established strategies of its own as well as requesting regulatory intervention. In an attempt to produce substitute movie channels, satellite TV launched a series of its own movie channels, such as *Cine on TV* (January), *MGM* (February), *XTM* (September) and *Cinema TV* (December) in 2003. Furthermore, the corporation cooperated with other global corporations to overcome the disadvantage of the absence of key content. The operators offered a Nickolodeon channel, owned by Viacom and created a new line of children's channels which included EDUTV, METV and English TV. In the same vein, the corporation first attempted to create the first Sky HD channel, a mix of documentaries, facts, entertainment, sports

Yet, discord between regulatory agencies regarding unfair practices deteriorated the situation. Competition policy plays an important part in media regulation. Competition policy in the broadcasting market aims to ‘keep markets open and prevent barriers to market entry’ (Levy, 1999: 81). By controlling and regulating the abuse of market power, the policy is intended to create a healthy and competitive structure. In this sense, competition policy caters to ‘market structure’, while sector regulation addresses ‘market conduct’ (Ferh, 2000: 44-5). However, it is more useful to stress their relatedness and similarities in that the two sets of policy instruments are to a large extent overlapping in the convergence era. In the pay media market, rising jurisdiction dispute worsen the situation. In principle, as a competition authority, FTC is responsible for judging general anti-competitive cases, while KBC have authority to regulate unfair practices in content transaction in the broadcasting market (Article 27.7). Table 6.7 traced increasing dispute over content contract between cable TV and DBS by 2006. However, the different views of events and who initiated the investigation between FTC and KBC has left the spread of unfair practices in pay TV market.

Table 6.7 The dispute over content supply between cable TV and DBS

Date	Events
November, 2001	C&M requests an exclusive contract to provide On Media in channel providing
January, 2003	Channels in On Media, Tooniverse, Superaction and MTV refuse to provide a service in satellite TV
March, 2003	Home CGV (movie) in CJ suspension in satellite TV
March, 2003	<i>Skylife</i> reports CJ and On Media to the Fair Trade Commission on a charge of unfair trading
December, 2004	CJ media suspends Mnet (movie) and XTN (music) from its satellite platform
January, 2005	<i>Skylife</i> reports on CJ and sends it to the Fair Trading Commission and the Court on a charge of unfair trading
February, 2005	CJ media resumes XTN channel except for Mnet
October, 2006	CJ media terminates tvN channel (entertainment) on satellite TV

Source: Adapted Lee (2009: 267), Youn and Chio (2007: 37-38).

KBC preferred the content dispute to be solved by the market principle, and was against public intervention. By contrast, FTC claimed that intervention was inevitable to prevent further unfair practices in the broadcasting market (Lee, 2009). As many interviewees (2009) asserted, the prolongation of a judgement due to the discord between two regulatory authorities demonstrated the limits of the neoliberal government. In this process, DBS suffered the most, facing difficulties in accumulating subscribers.

and movies content provided by BBC, NHK, CBS and PSBs (*Skylife*, 2007: 142). However, at least by 2006, the strategies had failed to retain many subscribers.

In summary, the rejection of the supply of popular content by big cable TV corporations posed a challenge of DBS service. Indeed the absence of key channels alongside the discord between the regulatory agencies have greatly affects DBS. But public broadcasters dealt another critical blow to DBS.

The action of the public broadcasters: retransmitting and inconsistent policy

Broadcasting policy is a significant agent in the development of new media. For DBS, retransmission policy is one of the most important policies in the expansion of the service. As has been noted above, the absence of public channels via *Skylife* drew subscribers complains. However, it can be argued that the result was rooted in the inconsistent retransmission policy. The retransmission rules, according to Buckley et al. (2008: 185-6), are a useful regulatory mechanism to guarantee the universal service by pay TV operators. In this logic, the European Union has declared it must carry terrestrial channels in new electronic media. However, policy uncertainty and contrasting interests on retransmission policy contributed to the delay of the DBS service in Korea. Originally, cable operators were required to carry KBS 1 and EBS channels under the Cable Law of 1991 aiming the universal service (You and Lee, 2001: 360). For this purpose, the main terrestrial broadcasters accepted a grant from cable TV to deliver their channels. However, the Broadcasting Law of 2000 did not specify that new pay TV platforms deliver KBS2, MBC and SBS, although they were essentially the most highly-rated channels. For pay TV operators, their success largely depended on the retransmission of programmes in those channels. However public broadcasters exploited the law as a vehicle to hinder their rivals.

Competing interests emerged surrounding retransmission policy. Immediately after the licensing of KBD, terrestrial broadcasters, mainly led by the Local Broadcasting Association (LBA), insisted that KBC not allow DBS operator carry free-to air channels. LBA claimed that the retransmission of those channels would weaken local stations because if allowed, that would lead to a disproportionate amount of advertising revenue for nationwide channels at the cost of local stations. It even insisted that the permission to retransmit terrestrial channels could lead to the collapse of the local media (Jung, 2004). To achieve their goal, the local stations campaigned across the nation with

complaints to the National Assembly and KBC, even going on strike for six months in 2002 (Yoon and Hong, 2004). Meanwhile, *Skylife* claimed that the government should permit retransmission, arguing that it would be natural for *Skylife* to carry those channels for subscribers. And it also insisted the government's first and foremost obligation is to the sound operation of DBS. In order to achieve a breakthrough, *Skylife* complained to the Constitutional Court in 2004. The significance of the retransmission problem can be seen in a news release in 2001 by *Skylife*, for instance:

If satellite TV fails because of an absence of retransmission channels, it would, in essence, be a "government failure," when the government's responsibility is to promote the content industry and to develop the broadcasting market. According to a poll [carried out by *Skylife*], 84.5 per cent of Koreans agreed on the retransmission of the channels.

For policy-makers, indeed it is difficult to achieve the dual goal: promoting local broadcasters and assisting new TV outlets by allowing retransmission. However, inconsistent policies have worsened the situation. Table 6.8 summarised the inconsistency of retransmission policy from 2001 until 2005, while the satellite operator struggled to survive. Successive but inconsistent measures called into question KBC's ability as a policy-maker. In November 2001, for example, KBC published a first draft of the suspension of retransmission for two years. However, the proposal was met with outrage from both sides which led to the resignation of KBC's chairman and the general secretary (KBC, 2004: 80). As interviewees (2009) have pointed out, this occurrence implies the limitations of KBC, although it took over policy-making authorities from the government under the enacting of the Broadcasting Law of 2000.

Table 6.8 The dispute over retransmission policy in DBS (2001-2005)

Date	Events
2001	April: KDB made public its intention of the retransmission of PSB channels. August: Establishment of the Local Broadcasting Association (LBA) against the plan. November: KBC published the first plan and LBA called a strike.
2002	January: The resignation of the KBC chairman over the issues. March: KDB inaugurated a service without the PSB channels except for KBS1 and EBS April: KBC published the revised plan (approval of the system except for the KBS1 channel)
2003	January: KBC returned the submission from the KDB August-October: Negotiations between KDB and LBA (four times) September: KDB published the report on the technological test (CAS)
2004	January-July: Negotiations between KDB and LBA (four times) July: KBC published a revised plan (giving permission for retransmission with a six months holding period) September-November: Negotiations between KDB and LBA (four times)
2005	April: KDB began retransmission with its "local to local" system

Source: adapted from *Skylife* (2006: 184-5).

Additionally, the disagreement within the government agencies has driven the dispute. For instance, in December 2001 MCT requested KBC to clarify who has the authority on Article 78 of the Broadcasting Law. Moreover, in January 2002, the department blamed the plan suggested by KBC, arguing that it restricted audience choice. Indeed, inconsistent and incoherent retransmission policy seemed to question the viability of the government's policy on pay TV.

Alarming, the breakthrough came from Skylife itself after six years of disputes. In an effort to solve the issue, the operator proposed "local-to-local transmission" by establishing 28 additional satellite transmitters to deliver local MBC and regional channels at the cost of about 100 billion KRW (US\$10 million), annually (Skylife, 2006). This measure illustrates how desperately DBS wanted to carry the channels and the significance of the public broadcasters' channels for audiences. To summarise, the long term dispute over retransmission policy shows the importance of broadcasting policy in building a healthy market. During the dispute, the public broadcasters, particularly local stations, represented a strong power in the media market, while DBS service suffered hardship.

6.6 Conclusion

This chapter has examined the development of DBS, focusing on broadcasting policy and the interplay among its stakeholders. In order to identify the result, we have divided DBS history into three phases: the preparation period, the licensing period and the service period. In the first section, we showed how the government set up an ambitious plan to launch DBS as a national project absent of a social consensus. During this period, we witnessed the growing confrontation regarding DBS policy on the governmental, industrial and political levels. And we also identified the difficulty in policy-making. In the second licensing period, it addressed local answers to global pressures. In this phase, we witnessed how global corporations failed to acquire the DBS licence due to local resistance. However, local corporations, particularly public broadcasters, exploited the opportunity to extend their reach into the pay TV market, although they claimed to be concerned with the competitiveness of the local market. In the last stage, we noted the result of liberal policies and the problem of concentration.

As McChesney pointed out (2004: 226), a commercial media system was adopted and then the issue of 'concentration' moved to the fore. Thanks to liberal policies, cable TV achieved a sustainable structure but has produced public concern over concentration, which has significantly affected the expansion of DBS.

Meanwhile, we examined the reactions of competitors. The public broadcaster considered DBS as a potential rival early on in the development and hindered its expansion. Additionally, the giant cable TV corporation abused its market power formulated by liberal policies. The incumbent operators used popular channels as a vehicle to hinder the growth of the DBS service. In this process, a learned lesson from is that without popular programmes, commercial platforms cannot achieve desired goals in the media market. In terms of media policy, at least two conclusions may be drawn from this chapter. Firstly, it demonstrated that media policy is a decisive factor in determining the fate of media platforms. In addition, it also witnessed in the absence of coherent policy which coordinates rival interest, they are likely to fail in the development of new services. Secondly, it has shown that a healthy media market can be sustained by relevant public interventions. In the next chapter, we will examine the challenges of media policy in the development of convergence media, focusing mobile TV.

Chapter 7 Mobile TV: an unplanned platform and politics in digital transition

7.1 Introduction

This chapter will explore politics in digital transition and challenges of media policy in the convergence era. Focusing on the launch of mobile TV, it analyses the interplay of stakeholders' interests and politics in the development of convergence media. More specifically, it examines why and how mobile TV came to be the by-product in the debate over digital migration. Additionally, it looks at the response of public broadcasters to digital transition because they were critical agents in the inception of mobile TV as well as key stakeholders in Korea's digital transition. In doing so, it argues that digital migration established a new order and convergence media became the new battleground for media organisations. It also argues that the traditional regulatory regime is under pressure in the digital era, calling for policy-makers to facilitate different measures to bring about desired regulatory objectives. In this context, this chapter should be considered together with the following chapter, which particularly addresses the challenges of sector-specified regulatory regimes in the convergence era.

Mobile TV is a new type of media platform which delivers TV channels. By adopting convergence technology of both broadcasting and telecommunication, the mobile handset has become a vehicle to access TV channels as well as new services. In this chapter, we refer to mobile TV as "broadcasting" mobile TV,⁶⁶ where viewers can enjoy real-time TV channels via mobile handsets. Meanwhile, digital migration emerged as a significant media policy agenda pushed by the growth of digital media and convergence. Policy-makers in Korea were initially forerunners in the initiation of a digital transition plan because it began as early as the 1990s. Korea was also one of the first nations to mobile TV in early 2000s. However, the key criticism concerning mobile TV is that mobile TV should not have been introduced in the first place. Additionally, after less than a few years later, the service is on the brink of collapse. Some newspapers remark that it is "destined for failure" and that is a "new technology without a fit business model" (Edaily, 2009; Electronic Times, 2010).

This chapter is divided into four sections. The first section deals with the nature of

⁶⁶ By contrast, "unicast" mobile TV means one can watch TV live over 3G (unicast) via a transmitter (see Screen Digest, 2007a).

convergence and mobile TV development in a global perspective. This is followed by an examination of the reaction of public broadcasters towards the convergence era, then by a discussion on the development of mobile TV. The final section examines media policy and assesses the output of mobile TV, prior to the conclusion.

7.2 Mobile TV and politics in the global perspective

In recent years, 'convergence' has come to be one of the most debated issues when explaining media and communication market change. Studies have been devoted to issues of convergence at various levels such as social, network and interpersonal communication (see Baldwin, 1996; Negroponte, 1995). There is still no commonly agreed definition, but it includes three interconnected notions: technology, service and industry convergence combining computer, broadcasting and telecommunication services (see Chapter 4, also Iosifidis, 2011: 169-1185; Kung et al., 2008: 91-104). The spread of digital technology and new media have fundamentally shifted the media structure, establishing new relationships. The characteristics of digitalisation and convergence can be summarised as listed by UNESCO (2005: 128):

- Reduced the size and cost of information-communication equipment;
- Reduced the time required to gather, edit, compile, store and retrieve content;
- Made storage, retrieval and reuse of large amounts of content possible;
- Created new distribution and transmission platforms between location, and between service providers and individual homes.

However, the proliferation of digital technology represents mixed concerns. For consumers, convergence revolution offers many benefits in accessing media platforms, with extended choice and increased quality such as sound and picture. In addition, the digital media gives consumers the growing ability to carry different styles of content via divergent devices (Ofcom, 2008: 89). In fact, consumers are no longer passive agents but instead are a vital factor in deciding the fate of media operators in the convergence era. Nevertheless, media organisations and policy-makers are on the other side of the fence. Silverstone (1995) observed that convergence is becoming 'a dangerous word' because it promises unprecedented change and the establishment of new politics. Emerging new types of platforms adopting convergence and digital technology could provide new opportunities for new entrants. However, incumbent organisations are under pressure to retain their influence and determine what strategies are necessary in the convergence era,

when new entrants continuously move into the market. Public broadcasters in particular, as a branch of traditional media, encounter new competitors, increasing fragmentation and the construction of new relationships. Meanwhile, the existing regulatory system, under a sector-specified regime, may not be an effective way to govern the convergence media (see Chapter 4 and 8). A growing public concern is how an existing regulatory regime copes with the sweeping technology revolution to maintain a competitive market.

The development of mobile TV

The mobile phone has evolved from an interpersonal communication device to a TV platform. The creation of mobile TV is an example of how a conventional platform has evolved into new media. Technology advancement accelerated by digitalisation enables a mobile phone to become an effective medium for providing a TV service. In the second generation, a mobile handset's function was voice, text service and new services such as searching web pages. More recently, however, 3G or 4G mobile handsets provide videos and videophones and even computer functions on top of conventional services. Mobile TV is characterised as a portable, private and interactive service, compared with other TV platforms. Firstly, contrary to traditional multichannel platforms, it overcomes the local constrain, enabling what Castells et al. (2007) called mobile society. Secondly, it is a relatively private TV consumption media like the mobile phone itself, while existing platforms target comprehensive audiences. It is customised and socialises the consumption, even creating a "third space" in between the public and private spaces (Hjorth, 2007). And finally, thanks to the advent of digital technology, it provides interactive services such as online games, data and even VOD service.

In recent years, nations have sought to launch mobile TV. However, the debate over mobile TV development did not result in uniform standards across nations. There are four major technological standards adopted globally: Digital Video Broadcasting-Handset (DVB-H), Media Forward Link Only (MediaFLO), Integrated Service Digital Broadcasting (ISDB) and Digital Media Broadcasting (DMB) (see Table 7.1). DVB-H standard, based on the evolution of terrestrial DVB, was adopted in European nations, including Italy, Netherlands, Spain and the UK, encouraged by the European Commission (Ofcom 2008: 95). On the other hand, the US embraced the MediaFLO standard after

setbacks in the DVB-H trial, while Japan developed ISDB and satellite DMB under a pay model. Korea developed DMB as its standard,⁶⁷ which evolved from the European digital audio broadcasting (DAB), originating with the Eureka 147 digital radio standard (Shim et al. 2008). Sharing satellite communication with Mobile Broadcasting Corporation, a Japanese corporation, SKT, a telecommunication giant in Korea, launched satellite-DMB (S-DMB).

Table 7.1 Selected mobile TV standard

	Operator	Technology	Launch
Italy	3 Italia, Telecom Italia Mobile, Vodafone	DVB-H	2006
Netherlands	KPN	DVB-H	2008
U.S	AT&T Wireless	MediaFLO	2008
	Verizon Wireless	MediaFLO	2007
Japan	Broadcast consortium	ISDB-T	2006
	MBCO	S-DMB*	2004
Korea	Tu Media (Subsidiary of SK Telecom)	S-DMB	2005
	Public broadcasters and new operators	T-DMB	2005

Notes:

1. S-DMB: Satellite DMB, T-DMB: Terrestrial DMB.

2. *S-DMB service in Japan collapsed due to lack of subscribers in 2009.

Source: adapted from Ofcom (2008: 95).

Despite initiatives to introduce mobile TV across nations, public opinion is divided. For instance, Viviane Reding (Watson, 2007: 10-11), the European Commissioner, presented an optimistic view, arguing that mobile TV will lead to richness and diversity in the audiovisual sector. The advocates argued that, as with the success of mobile games and mobile music, the introduction of mobile TV could generate new revenue for both network operator and content providers. However, as a media magazine identified, several barriers to the success of mobile TV remain (Screen Digest, 2007b). The concerns include lack of mobile TV audience, insufficient mobile TV content, uncertainty of regulation and the question of mobile advertising. In 2005, when most countries conducted pilot tests (except Japan), Korea launched two different mobile TV services with a unique technology standard: Satellite Digital Media Broadcasting (S-DMB) and Terrestrial Digital Media Broadcasting (T-DMB), the world's first terrestrial digital multimedia broadcasting (Screen Digest, 2005). The former was a pay service model using satellite communication, while the latter was owned by major public broadcasters and adopted a free service model. The contrasting technology standard and business model is noteworthy. In short, thanks to digital technology, mobile TV became a

⁶⁷ The standards, especially T-DMB, were an outcome of the cooperation between the public agency (Electronics and Telecommunications Research Institution) and leading mobile handset manufacturers, such as Samsung and LG (Shim et al., 2008).

new type of TV platform, overcoming the limitations of locality. While technology innovation pushes social change, many nations attempt to employ mobile TV under different standards. However, the arrival of convergence media raised concerns for both regulators and incumbent operators.

7.3 The status of Korean public broadcasters

7.3.1 The public broadcasters and the digital era

This section examines the challenges and responses of public broadcasters in the digital era because the public broadcasters are a key stakeholder in the development of mobile TV. As examined in Chapter 3, public broadcasters are under pressure in the changing media environment (see also Iosfidis, 2007 and 2010; Padovani and Tracy, 2003; Syvertsen 2003). In the Korean context, the plight of incumbent broadcasters was no more apparent than in the inauguration address by Kim In-Kye, the incoming president of KBS in 2009.

In recent years, newspaper corporations and conglomerates have been expected to enter the broadcasting market. The day will be a milestone in the history of the Korean audiovisual industry. As the new chief of KBS, I will be leading a company with many challenges in a fiercely competitive market... One of the key missions of KBS will be increasing the licence fee, which has been frozen at 30,000 KRW per year since 1981. KBS also plans to reduce its advertising revenue to better serve as a public broadcaster. Before this project, we should reform KBS to encourage people to accept the proposal and to justify public financing. In order to better serve the public interest in the digital era, KBS will also launch a digital free platform [K-View], following the example of UK.... Overcoming the current financial crisis is a crucial matter, as well as becoming independent from commercial interest and political power.... I come here to protect KBS, as a major public broadcaster, from political and capital power (Author's translation).

The speech demonstrates how public broadcasters, especially KBS, were confronted with threats. The challenges are manifold, but one critical fact is the growth of competitors. As seen so far, nationwide broadcasters (KBS, MBC and SBS) enjoyed growth in the early 1990s but liberal policies have introduced new competitors including pay TV platforms and local broadcasters.⁶⁸ However, transformation of the competitive structure posed a threat to public broadcasters. The challenges in public broadcasters can be identified by some statistics. First, let us look at the audience share. The share of terrestrial broadcasters has suffered a precipitous decline for years (see Table 7.2). The nationwide

⁶⁸ Since the 1990s, consecutive governments have licenced privately owned stations to achieve diversity in the media market, namely the 'one station in a province' principle. This began under the Kim Yong Sam government (1993-1998) and was completed in 2006 when the Roh Moo-Hyun government (2003-2008) awarded a licence to a local station in *GwanDo* province.

broadcasters' (KBS 1, 2, MBC, SBS and EBS) total share fell from 83 per cent to approximately 66 per cent between 2000 and 2008. By contrast, in the same period, the total share of cable TV rose from just 3.6 per cent in 2000 to 29 per cent in 2008, while satellite TV still recorded a minor share. In terms of viewership, public broadcasters still retained a sizeable share but were gradually losing shares to emerging competitors.

Table 7.2 Audience shares by platform (2000-2008)

Year	KBS1	KBS2	MBC	SBS	EBS	Total	Cable TV	DBS
2000	20.5	18.4	22.3	19.4	2.4	83.0	3.6	3.2
2001	19.7	17.5	19.8	19.7	3.2	79.9	9.4	2.6
2002	19.4	16.5	19.6	18.6	3.0	77.1	15.4	1.2
2003	18.9	16.0	19.1	16.7	2.5	73.2	20.3	0.8
2004	18.1	15.6	18.0	16.5	2.2	70.4	24.0	0.6
2005	16.8	16.3	15.8	17.0	2.3	68.2	27.5	0.6
2006	16.8	15.6	15.6	16.3	2.3	66.6	29.5	2.4
2007	19.1	14.3	16.6	15.3	1.8	67.1	29.6	2.1
2008	18.7	14.2	17.1	14.9	1.5	66.4	29.6	2.1

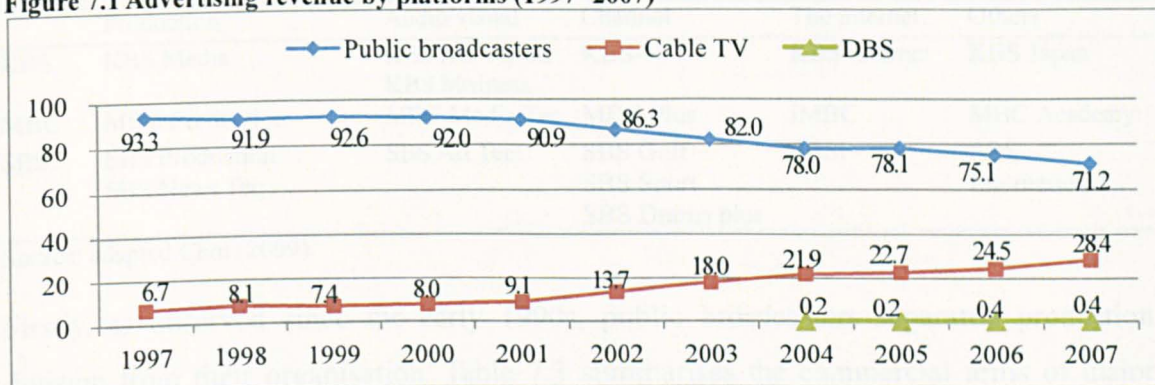
Source: AGB Neilson Media (2008).

Secondly, the removal of a monopoly also affected turnover. The birth of new TV outlets accelerating fragmentation has continuously posed threats to public broadcasters (Syvertsen 2003; Papathanassopoulos, 2007). In Korea, as most broadcasters (including public broadcasters) rely on advertising revenue, the emergence of new outlets means the eclipse of incumbent organisations' shares, given the limits of the advertising market. Figure 7.1 demonstrates the decline in terrestrial broadcasters' revenue during the neoliberal government. Since the construction of a set of pay TV platforms, the share of terrestrial broadcasters has gradually fallen. In the early 2000s, they retained 90 per cent of total commercial revenue but it rapidly decreased to just over 70 per cent in 2007. By contrast, that of cable TV records almost 30 per cent, up from 9 per cent in the same period. It can be argued that the growth of pay TV operators has eroded the public broadcasters' share, although cable TV also suffered financial difficulty as noted in previous chapters.

Lastly, the funding structure of public broadcasters remains uncertain. In a competitive environment, the survival of public broadcasters largely depends on the public financing structure. However, as noted earlier, KBS's licence fee had been frozen for over 30 years (see Chapter 3). Moreover, the fact that half of total turnover consists of advertising revenue has drawn a considerable amount of criticism. Indeed, the

uncertainty of funding in public broadcasters affects what public broadcasters commit to achieve in the digital era. To summarise, rising competitors, both local stations and multi-channel platforms, have eclipsed the share of public broadcasters' ratings and turnover. Also, the uncertain funding structure for public broadcasters has obliged them to establish new strategies in the convergence era.

Figure 7.1 Advertising revenue by platforms (1997- 2007)



Source: KCC (2008).

7.3.2 Response of public broadcasters and diversification strategy

The challenges posed by the digital era called for public broadcasters to reinvent their remits. The engulfing adverse environment for public broadcasters and reactions are examined in the survey conducted by UNESCO (2005: 113-4).

- Internal cost efficiencies including staff cuts, re-organisation and restructuring, and reductions in programme production and transmission costs to reduce operating expenses.
- Aggressive marketing of products and services and other entrepreneurial activities to increase revenue.
- Creating commercial division to operate in parallel with public service divisions
- Changing the programme mix on public service channels in favour of commercial genres capable of attracting large audiences and advertising revenue.
- Formation of strategic alliance with the commercial broadcasting sector, nationally and internationally.
- Investing in new web-based technology business.

One remarkable feature is the public broadcasters' adoption of a diversification strategy. As a new method of achieving their remits, public broadcasters entered new territory in order to engage audiences (see, Achille and Miège, 1994; Hills and Michalis, 2000; Padovani and Trace, 2003). Diversification, commonly known as "vertical integration", refers to 'the process by which different entities are brought together under one central control' (Papathanassopoulos, 2002: 105-10). Typically, the value chain in media was

separated by production, transmitting and distribution. However, employing diversification strategies, public service organisations increased their market power by integrating the value chain and removing middlemen (Ibid). Three patterns can be identified within the diversification strategy of Korean public broadcasters: spin off strategy, on-line service and expansion of channel services.

Table 7.3 The vertical integration in the public broadcasters

	Production	Audio/visual	Channel	The internet	Others
KBS	KBS Media	KBS Art Vision KBS business	KBS-N	KBS internet	KBS Japan
MBC	MBC Production	MBC Media Tec	MBC Plus	iMBC	MBC Academy
SBS	SBS Production SBS News Tec	SBS Art Tec	SBS Golf SBS Sport SBS Drama plus	SBSi	SBS International

Source: adapted Choi (2009).

Firstly, as observed since the early 1990s, public broadcasters separated production division from their organisation. Table 7.3 summarises the commercial arms of major broadcasters. The broadcasters needed cost-saving measures to compete with emerging competitors following the removal of a comfort system constructed in the 1980s (see chapter 2). Additionally, public broadcasters wanted separate organisations in order to expand into the commercial sector and professionalise content production (Kang et al., 1995: 217-20).⁶⁹

Secondly, during the mid-1990s public broadcasters expanded into online services as a strategy to bridge the widening gap between broadcasters and audiences. The expansion into the internet can be seen as a new measure to responding to the digital era (see Hills and Michalis, 2000; Trappel, 2008). By establishing *KBS internet*, *iMBC* and *SBSi* respectively, KBS, MBC and SBS offered their content on the internet (see Table 7.3). Through their commercial arms, public broadcasters attempted to provide online services to engage with audiences. A noteworthy feature by far is that there was no significant

⁶⁹ The introduction of the quota system by government enforced broadcasters to set up sub-entities to product programmes. The aim of the government's quota system was is to boost independence production and to guard against the dominance of broadcasters. In such an environment, leading broadcasters, KBS, MBC established *KBS Media*, *KBS Art Vision*, *MBC Production* and *MBC Media Tec* respectively in the early 1990s. However, the establishment of commercial arms in public broadcaster has drawn criticism. In reality, sub-organisations were a vehicle to escape the imposed quota system and retain their power. As Chio (1993) identified, in 1993, only 5 percent of out-of-house outside production was supplied by independence companies. The rest were still produced by related entities. It is understood that broadcasters utilised the spin-off strategy as an instrument to maintain their influence on the media market.

criticism to their diversification. The reason for this is that the impact of the service was not significant to private media. However, as examined in below, their investment in the pay TV market drew severe criticism.

Table 7.4 The channels owned by public broadcasters in pay TV market

Broadcaster	Channel	2004	2005	2006	2007	2008
KBS	KBS N	2.6	2.6	2.7	2.9	3.9
MBC	MBC Game	0.8	0.8	0.8	0.9	0.9
	MBC Drama net	3.1	3.3	3.7	4.2	4.5
	MBC ESPN	1.7	1.6	1.7	2.1	2.4
	Sub total	5.6	5.7	6.2	7.2	7.8
SBS	SBS Drama Plus	2.0	2.7	3.0	2.9	3.2
	SBS Golf	2.0	2.2	2.2	2.3	2.3
	SBS Sports	1.4	1.2	1.4	1.7	1.3
	SBS Eplus	-	-	-	-	0.02
	Sub total	5.4	6.2	6.5	6.8	6.9
Total		13.6	14.5	15.4	16.9	18.6

Source: adapted KBC (2007) and KCC (2009a).

Thirdly, public broadcasters moved into the commercial sector, launching commercial channels in pay TV platforms. As has been examined in previous chapters, public broadcasters exploited the Korean economic crisis to expand their services in the pay TV market. As Table 7.4 shows, three nationwide broadcasters launched several channels, including the most popular drama and sports genres. The problem, however, was not just their entrance into the private sector but the increasing impact on the pay TV market. In 2004, the total ratings of public broadcasters accounted for 13.6 per cent of total cable TV rating but it gradually increased to approximately 19 per cent by 2008. For instance, *KBS N*, a subsidiary of KBS, operating four channels (*KBS Joy*, *KBS Drama*, *KBS sports and KBS prime*), recorded more than double growth in the same period. Meanwhile, MBC and SBS's subsidiaries reached a total of 7.8 and 7.9 shares, respectively. For broadcasters, the strategy is understood to compensate their decline of shares in public channels, but the result posed a challenge for commercial channels. One problem is that the broadcasting market was concentrated in the hands of a few public broadcasters, contrary to the government's intention to balance development.

7.4 Digital transition and debate on mobile TV

7.4.1 The digital switchover and politics

This section examines the debate on digital transition and the creation of mobile TV, focusing on the public broadcasters' role. With the penetration of DTV, DTT policy (see

Chapter 3) and digital switchover (DSO) emerged as important communication policy subjects for the digital era. DSO is defined as the progressive migration of households from analogue-only reception to digital reception (Iosifidis, 2006: 250). For policy-makers it is a significant challenge to run the process as rapidly and smoothly as possible and decide when it switches off analogue transmission. Regarding this goal, the European Commission (2005) published a ‘on accelerating the transition from analogue to digital broadcasting’, encouraging Member States to prepare for DSO and set target dates as late as 2012.

However, policy-makers are under pressure to meet target dates for DSO. Table 7.5 summarises DSO details of selected nations in Europe. In 2003, Berlin saw its first regional switchover, followed by the Netherlands and Sweden 2006 and 2007, respectively (Starks, 2010a). Meanwhile, Spain officially completed the transition to DTT by switching off in April 2010, while Italy, Portugal and UK are due to do so in 2012. In contrast, the transition to digital broadcasting has proceeded at a slower pace in Poland, where DTT was launched in September 2010. Moreover, like Poland (2013), Bulgaria (2015), Romania (2015) and other Eastern European states are expected to miss the self-imposed target of 2012, while a few nations have barely started pilot services (Screen digest, 2011b). The uneven progress and difficulties are attributed to the different political, economic and technological circumstances of each nation.

Table 7.5 Analogue switch-off dates in Europe

Country	Launch dates	ASO	Number of years from launch to ASO	End 2010 TV households (000s)
Netherlands	2003	2006	3	7,235
Sweden	1999	2007	8	4,316
Germany	2003	2008	5	38,668
Spain	2000	2010	10	15,830
Austria	2006	2011	5	3,575
France	2005	2011	6	25,016
Portugal	2009	2012	3	3,837
Italy	2004	2012	8	23,592
UK	1998	2012	14	26,067
Greece	2006	2012	6	3,672

Note: ASO: analogue switchoff.

Source: adapted from Screen Digest (2011b).

Digital transition, particularly DSO, reshapes the power structure in stakeholders. The process is a not a single year event but requires long-term planning (see Table 7.4) and government intervention. However, due to the dynamic interplay between broadcasters,

government agencies and industries, digital switchover constructs a new relationship, as identified by Galperin (2004) in the case of the UK and US. A commonly identified problem is the rescheduling of an analogue switch-off date. In the US DSO was originally expected at the end of 2006, but the target date was postponed three times due to the rising conflict among stakeholders (see Galperin, 2004; Hart, 2010). Moreover, the collapse of free digital terrestrial TV (DTT) in the UK and Spain in 2002 illustrates the growing pains of DTV migration (Chapter 3, and also Iosifidis, 2011). Korea was initially a pioneering nation whose policy-makers turned their attention to DSO as early as the 1990s. However, as we will elaborate below, the conflicting interests about the DTV standard not only led to the rescheduling of the analogue switch-off date but also created an unintended platform, DMB. Let us examine this in the next section.

The justification of the DTV standard and economic logic

On 19 January 2004, digital policy in Korea broke through an impasse. The key figures in media policy-making surrounding digital transition, the Chairman of the Korean Broadcasting Communication, the Minister of the Ministry of Information and Communication, the President of KBS and the Chairman of the National Union of Media Works finally agreed on a terrestrial DTV standard (KPF, 2005). As a newspaper stated, the dispute cost around 3 billion KRW and led to the delay of analogue switch-off until 2012 (*Komin Ilbo*, 2008). But the event also should be remembered in two ways. Firstly, it terminated the controversy of the DTV standard which had rumbled on since 1997, suspending the progress of DTV for years. Furthermore, in order to alleviate concerns voiced by public broadcasters, the government officially guaranteed to introduce T-DMB. Let us trace the discourse and politics in order to understand the creation of mobile TV.

Economic motivation pushed policy-makers to initiate the digital transition. According to Galperin (2004: 25-50), three forces encouraged DTV migration for the government: the decline of the electronic sector; the need to boost the industry; and the spread of information policy and the problem of efficiency in spectrum usage caused by growing demand. Among them, an economic motive was what drove the Korean government. In 1997, the government adopted the US standard of DTV, known as the Advanced Television System Committee (ATSC), compared with the European Digital Video

Broadcasting (DVB) developed in Europe. It concluded (consulted by the Commission for Digital Terrestrial Broadcasting (CDTB)) that the ATSC was relatively more suitable than DVB to the Korean environment, which already had adopted the US analogue standard (Park, 2004: 120-1). However, a key government priority in the digital transition was to reap economic benefits in the global marketplace (Interview, 2009). For policy-makers, the US standard expected to increase export in digital equipment more than any other standards. For instance, LG Corporation, one of the largest conglomerates, produced many digital devices under the US standard and this led the government to adopt the US standard (Park, 2004: 120-1). In fact, economic advantages surpassed any other motive, although digital standard was a technological issue.

Accordingly, DSO emerged as a national project in economic competitiveness during the neoliberal government. For this reason, Kim Dae-Jung government (1998-2003) created a blueprint. In 1998, the government categorised the DSO plan as one of the nation's top 100 national agendas (Kim, 2003). In the following year, it announced a 'General Plan for the Early Digitalisation of Terrestrial TV Broadcasting', in which the government estimated that the early migration to DTV would bring economic benefits, estimating exports of digital equipment to reach 154 billion dollars and to create 90,000 jobs by 2010 (Ahn, 2006: 257-8). In fact, the plan emphasised the economic benefits and optimistic outlook for digital transition. In order to develop an action plan, KBC launched the 'Digital Broadcasting Promotion Committee'. It is understood that the government intended to revitalise the Korean electronic industry by increasing demand for DTV. By stimulating the marketplace with the replacement of analogue TV sets and pioneering a digital technology, the government ultimately expected to revive a country riddled in the economic crisis of 1997.

7.4.2 Resistance to digital transition and the third way

DSO is a politically hot subject between interested parties. The success and smooth transition, as Morshid (2010) emphasises, depends largely on coordination among different stakeholders. In Korea, the economic benefits noted above could not justify growing opposition from the civil society. Admittedly, immediately after MIC's decision on go with the US standard in 1997, the government faced rising complaints from civil

organisations included: the “Citizens’ Coalition for Media Watch”, the “People’s Coalition for Democratic Union” (the largest labour union), the “Korean Federation of Press Unions” and the “Federations of Korean Trade Unions” (Kim, 2003). The opposition party’s argument included the following subjects. Firstly, civil organisations argued that the government ignored the relevance of Korea’s geographic conditions together with the shortcomings of the ATSC standard in terms of indoor reception. Secondly, they insisted on the advantages of European DVB, stressing “mobile reception” and “coverage advantage”. Lastly, they emphasised the case of Taiwan, which altered its standard to DVB from US ATSC in 2001 (Ahn, 2006). In fact, the number of government choosing to use the US standard was limited at least by early 2000, although Canada and some other nations were considering it. However, MIC maintained its belief in the superiority of the US standard and its economic benefits in the international marketplace. In order to dismiss rising opposition, in 2001 MIC even invited Robert Graves, the chairman of ATSC, to advocate the US standard (Park, 2004). In this stage, it is noteworthy that the dispute was mostly led by trade unions within public broadcasters. By the early stages, the opposition’s aim was to accuse the government of turning its back against the public interest by overemphasising the economic benefits. Yet stakeholders attempted to exploit the opportunity for their own interests. Public broadcasters’ opposition, through their trade unions, must be understood as their fear of a new order triggered by the digital transition (interview, 2009). At the same time, empowered civil organisations attempted to influence media policy-making in the neoliberal government. Meanwhile, a weakened government role in a market-driven policy exacerbated the dispute.

Media policy is formulated by compromising among interested parties. In fact, T-DMB was created by a compromise between the government and strong public broadcasters. In 2004, the two sides came to an agreement to keep the ATSC standard, insofar as the government guaranteed the introduction of “T-DMB” operated by public broadcasters. Superficially, this idea was intended to overcome the shortcomings of the US standard regarding mobility and indoor reception. However, this was arguably a political deal between government and the public broadcasters, amid rising resistance to digitalization (see below). In short, digital migration illustrates another battleground between interested

parties. Through the years of the feud, public broadcasters gained the chance to enter into the mobile TV market and bought time to prepare for the digital transition.

7.5 Media policy and politics regarding mobile TV

7.5.1 The mobile TV and contrasting strategies

In 2005, two contesting DMB services began offering their services. A marked feature was that both platforms adopted contrasting strategies in terms of revenue model, coverage and technology, as seen in Table 7.6. Firstly, T-DMB deployed a free service, financed by advertising revenue, while S-DMB adopted a subscription fee model (US\$ 13 a month). Secondly, regarding the access device, S-DMB was available on mobile phone, GPSs, computers and PDAs, while T-DMB was mostly accessible on mobile handsets. The last but most important difference is the participation of public broadcasters in T-DMB and the largest telecommunication company in S-DMB respectively. Major incumbent broadcasters (KBS, MBC and SBS), YTN (24 News channel) and two consortia (U1 and Korea Media) led the T-DMB business in a franchise system,⁷⁰ while S-DMB was operated by TU-media, a subsidiary of SKT. In fact, a contrasting business structure was expected to create fierce competition in the mobile TV market.

Table 7.6 Comparing two mobile TV models

	Satellite DMB	Terrestrial DMB
Type	Private broadcasting	Public broadcasting
Broadcasters	TU Media (Telecommunication)	Existing PSBs (3) and New consortium (3)
Subscription fee	US\$13 per month	Free
Channels	Video 11, Audio 26	Video 7, audio 13, data 8
Coverage	National	Regional licence
Technology	ITU-R system E	ITU-R system A (Eureka 147)
Others	PSBs channel not available	Retransmission of PSBs

Source: adapted from Informa (2007c: 108).

In this stage, one question that arises is why Korean mobile TV is led by a telecommunication corporation and broadcasters. It argues that the convergence media is a battleground for media and communication corporations in the convergence era. SKT's investment in mobile TV was driven by the hunt for new revenue sources, as an offensive strategy. SKT initiated the project to find a cash-generating market with the saturation of

⁷⁰ Initially, the government planned to permit a nationwide service in T-DMB, but local broadcasters pressed the government to licence a franchise system, arguing for the protection of local broadcasters.

the telecommunication market (Interview, 2009).⁷¹ SKT attempted to find a new business model by cooperating with a Japanese counterpart, which also planned to launch a mobile TV service via satellite communication, as noted above. Also, as a dominant mobile corporation, SKT intend to generate a synergy effect by bundling mobile TV services with other interactive services.

By contrast, the terrestrial broadcasters' participation is understood as a defensive strategy. Threatened by the imminent arrival of new TV outlets by the telecommunication corporations, public broadcasters originally intended to hinder their expansion rather than developing their own interest in mobile TV (Interviewee, 2009). As shown in the development of DBS (see Chapter 6), terrestrial broadcasters strongly opposed the entrance of telecommunication corporations into the TV market. They accused the expansion of telecommunication corporations into the TV market as inappropriate since the regulatory framework was still sector-specified system. Using this logic, the broadcasting sector urged the government to delay the debate over convergence media, especially mobile TV introduction. Moreover, as seen above, they persistently criticised the DTV standard in order to defer the debate over digital media policy. The opposition of MBC to the DTT standard is notable. The broadcaster insisted on a pilot study. In 2001, MBC even organised a 'Digital Terrestrial Television Broadcasting Comparative Field Trial Committee' which attempted to prove the inferiority of the US standard (Park, 2004: 124-5). Meanwhile, in order to weaken the telecommunication companies' initiative on the launch of S-DMB, broadcasters argued that the mobile TV division of SKT should be separated and established as a separate organisation. In short, the development of mobile TV in Korea represented a battleground for the major players in media and telecommunications in the age of convergence.

7.5.2 Inconsistent media policy and ailing platforms

The regulatory regime is constantly harassed when trying to regulate convergence media.

⁷¹ In fact, mobile phone penetration has reached 61 per cent, or 29 million users in the nation as of 2001. And it has reached 88.8 per cent commanding about 40.7 million users as of February 2007 (Lee et. al, 2009; Park et al, 2004).

Technological innovation creates a new kind of seamless multimedia service. However, as media policy lags behind new technology, existing policy becomes outdated or inappropriate (Djik, 1999: 115). More importantly, the rising challenge is how sector-specified regulatory regimes conceive the convergence media in existing regulatory structures. During the neoliberal government, two regulatory bodies, KBC and MIC, oversaw the media market⁷² (see Chapter 4). However, the authorities took sharply divided positions over DMB policy, although the platform called for cooperation (see Table 7.7).

Table 7.7 Contrasting philosophies on mobile TV

	KBC	MIC	SKT	PSB (Unions)
Definition	New service	Extension of telecommunication	New service	Supplement of DTT
Public commitment	Obligation	Moderate		
Market structure	Less competition and high regulation	Strong competition and less regulation		
Retransmission			Permission	Prohibit
Regulation			Deregulation	Strict regulation

Source: adapted from Hwang (2003); Shin and Venkatesh (2008).

Whereas KBC emphasised the public interest aspect of mobile TV, MIC argued that pro-market policy. MIC considered mobile TV as the extension of telecommunication services, stressing that the key function of DMB was no different from conventional telecommunication. Using this assumption, the MIC argued that DMB service should be under its control because mobile TV is offered by telecommunication corporations. It also claimed that mobile TV under soft regulation would boost the national economy through the handset market, information infrastructure and vitalization in content sector (TU Media, 2004). In opposition to MIC, KBC considered DMB to be a new vehicle for the distribution of TV channels, and therefore believed that it must be regulated by broadcasting principles. Consequently, KBC insisted that the mobile TV service must fall under the broadcasting category and strict regulations regarding such as ownership and advertising. Like public broadcasters, it goes on to argue that it should impose heavy obligations on mobile TV, in order to achieve the public interest.

The shared interest of regulators and the regulated shows what Horwitz (1989: 29)

⁷² As a broadcast regulator, KBC regulated licences and advertising among other broadcasting issues in DMB. The Broadcasting Law of 2004 (article 27) defines technology facilities as being under MIC's jurisdiction, while KBC has the authority to regulate content and programming.

called capture theory. According to the scholar, regulatory agencies are taken over or “captured” by regulated industries. Contesting parties were encouraged by the corresponding sectors to advocate their arguments. SKT and TU Media, a subsidiary corporation of SKT to operate S-DMB, urged KBC needed to adopt market principles on DMB policy. Meanwhile, broadcaster alliances, along with civil organisations, argued that economically-oriented S-DMB could tarnish public interest in a media market. By contrast, TU Media claimed the pay model would be the only sustainable business model considering the start-up cost and investment in unique content. As a counterargument, public broadcasters together with civil organisations insisted that commercially-oriented content by the subscription model in S-DMB would accelerate commercial competition. Meanwhile, they claimed that their T-DMB operated with a service fee was the inevitable choice for achieving the universal service in the digital era. However, it can be argued that broadcaster’s argument is little more than the expression of their concerns about their diminishing their power in the media market. In summary, the disagreements and conflicts over DMB policy among stakeholders identified challenge of media policy in the convergence era.

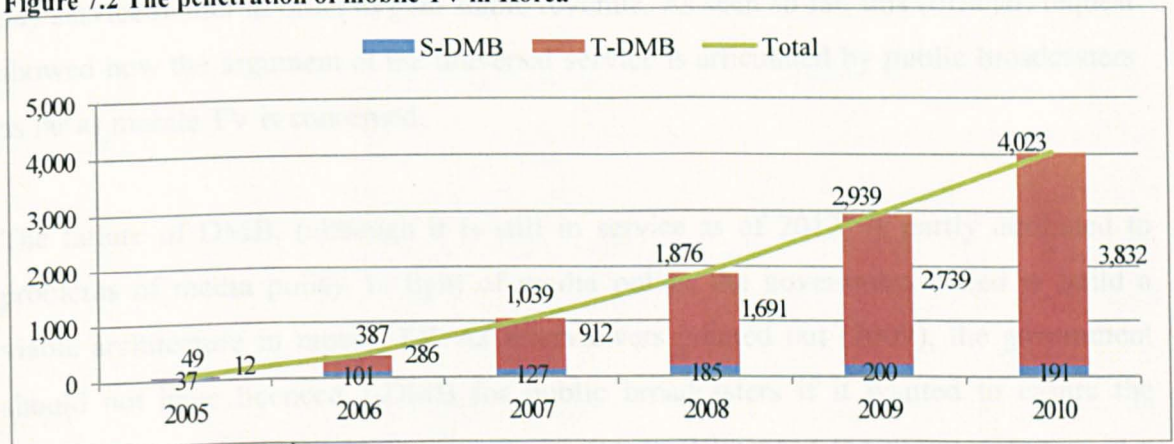
Assessing the DMB industry and rescue plans

The performance of DMB exemplifies the risk of convergence media. With regard to accessibility, or universality, it performed moderately. By 2010, DMB emerged as the second largest TV reception platform after traditional TV sets, with 13.2 per cent (KCC, 2011). The share surpassed that of IPTV, another convergence TV outlet, which accounted for about 4 per cent. Moreover, the deployment of mobile TV reception reached more than 40 million among 49 million people in Korea by 2010 (see Figure 7.3). Approximately 38 million have access to T-DMB, whereas S-DMB subscribers reached 2 million by 2009 (KCC, 2010a). In terms of diffusion, the success can be explained by government intervention. The Roh Moo-Hun government (2003-2008) nominated the development of DMB as one of its key national projects. The government’ core ICT policy was namely ‘IT839’ led by MIC as identified by ITU (2003b).⁷³ In fact, in order to create synergy effects for both the domestic and foreign markets, the government set

⁷³ The IT839 project refers to the launch of eight new information services that will boost three infrastructures and accelerate nine IT industries (see ITU, 2003b).

up the plan, emphasising cooperative development in the IT industry. As a result, for example, the pilot-DMB service was launched in Germany and the UK in 2006, competing with the DAB standard in both countries (Screen Digest, 2007b). However, its performance and government leadership were undermined by the ailing financial situation in DMB operators.

Figure 7.2 The penetration of mobile TV in Korea



Note: 2010 date is as of 3rd quarter.

Source: adapted from Korea Radio Promotion Association (2010).

Economically, the DMB industry faced a huge challenge. In 2009, Song Do-Kyun, the Vice-Chairman of the Korean Communications Commission, acknowledged that convergence media was still not seeing enough profitability, despite growing interest in new platforms (Song, 2009). Indeed, DMB was on the brink of collapse. Its difficult situation can be illustrated by a number of remarks: “a crossroads to survival” (Kim, 2006) and “the challenge of T-DMB, despite over 30 million rollouts of device” (Electronic Times, 2010). Despite the government’s support for the development of mobile TV, the result was miserable. The accumulating deficit of T-DMB (only 6 metropolitan operators) amounted to 846 billion KRW in 2009 (KCC, 2010b). Total turnover (mainly advertising) only recorded 17 billion, 60 billion and 89 billion KRW in 2006, 2007, 2008, respectively (Jung, 2008), in contrast to optimistic views.⁷⁴

When we look at S-DMB, the situation is even more critical. TU Media has accumulated deficit of 2,433 billion KRW by 2009 (KCC, 2010b). Its revenue from

⁷⁴ For instance, ETRI, the government-run electronics institution, estimated that T-DMB would attain 500 billion in revenue with 4.8 million users in 2006. As for S-DMB, it predicted that the service would bring in 154 billion in revenue in 2006 (Choi, 2010: 131).

subscription fees and advertising was surpassed by rising expenses. In 2009, SKT had no choice but to merge TU Media with SK Telink, a subsidiary of the SK conglomerate (Digital Times, 2011). One paradox that arose was that of public broadcasters' request to the government to rescue their mobile TV services. The industrial organisation of DMB submitted rescue plans to the government, claiming the government must intervene to save the industry. They argued that the government should permit T-DMB to become a pay service model in order to gain stable revenue. As seen so far, this (official) request showed how the argument of the universal service is articulated by public broadcasters as far as mobile TV is concerned.

The failure of DMB, (although it is still in service as of 2012) is partly attributed to problems of media policy. In light of media policy, the government failed to build a viable architecture in mobile TV. As interviewers pointed out (2009), the government should not have licenced T-DMB for public broadcasters if it wanted to ensure the success of mobile TV. Additionally, the government licenced too many operators in a small market: the launch of two platforms (S-DMB and T-DMB) in the same year, alongside a franchise system enforced by local terrestrial broadcasters, contributed to the failure of the service. However, the main source of problem stems from government leadership regarding the discussion over digital transition. Captured by strong public broadcasters, the digital transition plan lost its way, and along with it came the failure of DMB. It also suggested that the disagreement between government agencies on DMB policy under the sector- specified regime aggravated the problems.

As far as S-DMB is concerned, the failure was partly caused by the hindrance of competitors. As illustrated so far, public broadcasters took many actions to prevent the expansion of telecommunication corporations into the broadcasting market. An example is the retransmission issue via S-DMB. The national broadcasters, KBS, MBC and SBS, were opposed to offering their public channels through S-DMB. They claimed that public TV programs should not be offered with commercially-oriented operators tarnishing the public interest. The regulatory institution aggravated the problem by turning a blind eye to the issue, considering it a negotiable agenda between stakeholders (You, 2006). It is noteworthy that in the case of DBS, local broadcasters opposed the retransmission of public broadcaster's channel. However, in the DMB market, the nationwide broadcasters

objected to providing the channels. The key issue is that in principle broadcasters argued for the importance of their remit of the universal service in the digital era. However, in practice, the broadcaster used this as a key weapon to hinder rivals and to uphold their own power in the convergence market. To summarise, the struggle of the DMB market stemmed from an incompetent regulatory regime and the resistance of existing operators.

7.6 Conclusion

This chapter has addressed convergence and its rising problems, focusing on the development of mobile TV and digital transition. The new TV platforms put forward by convergence technology enable the extension of choice and empower its users. Mobile TV, as an example of convergence media, provided users with access to TV channels, overcoming limitations of locality. However, competing interests in the media market and growing conflict in the expansion of mobile TV have provoked concerns regarding what the role of media policy is in the convergence era. Some conclusions can be drawn from this chapter. The first conclusion is a warning against the optimistic view of digital migration and convergence media. A new media technology or new platform, despite technological innovation, is not enough to secure success in society because the new platform is perceived as a different means by stakeholders. In the debate on digital transition, the government has confronted many barriers. One of the key evidences showed that the absence of government leadership surrounding contesting interests led to failure in achieving desired goals. Referring to this chapter, the lack of a consistent policy surrounding DTV not only led to a suspension of the digital switch-off date but also raised concerns over the digital transition. Also, we have learned that convergence media is far from a profit-making machine without a proper business model and relevant public intervention.

The second conclusion is that media policy is under constant pressure in the convergence era. The key challenge is how the incumbent regulatory regime takes on rising policy issues which could reshape the media market complicated by the convergence of technology, service and business. It found that the existing regulatory regime cannot easily govern the advent of new services in the convergence era. The example of mobile TV has illustrated the limitations of policy-making based on sector-specific frameworks, calling for new measures to handle an emerging grey area.

Lastly, this chapter has shown that digital transition exposed a rival interest in stakeholders. We have identified the power struggle between incumbent operators, particularly public broadcasters and new entrants. In the digital era, one argument about the public broadcaster is that it is marginalized. Yet this chapter has demonstrated that the broadcaster still exercises significant power in the media market, employing diversification strategies. More concisely, public broadcasters exploited the DMB platform as a tool to retain their power and to hinder its competitors. However, the public broadcasters' expansion into the commercial sector has produced a mixed response. Their participation in mobile TV contributed to the universal service in the digital era but their performance was undermined by their failure to produce profit. During this process, it has identified the importance of coordination between contesting parties in building a coherent media policy. The next chapter will examine IPTV as the last pay TV platform introduced in the neoliberal government.

Chapter 8 IPTV: convergence and old regulatory regime

8.1 Introduction

Has technological convergence led regulatory convergence? This chapter demands the question, while it examines the development of IPTV. Focusing on the development of IPTV, it will explore contrasting interests and politics under the sector-specified regulatory system. IPTV is the latest in pay TV platforms developed by media corporations ready to launch the next new services. However, because the old regulatory regimes are sector-specified, convergence media whose technology and services are a combination of broadcasting, telecommunication and the internet, are paid little attention. In Korea, when the regulatory regime is a sector-specified structure, a critical question is that of who has authority to govern convergence media. In this chapter we answer the question, exploring the development of IPTV, as a type of convergence media. In doing so, we argue that the conventional sector-specified regime is problematic in the convergence era, while the introduction of new digital platforms disrupts the media landscape.

The internet revolution has provided new opportunities in TV reception. No medium is comparable to the internet when it comes to the impact it has made on the media industry and society. In the 21st century, the internet is a vehicle of what Castell (1996) called network society, where global society is connected by new technology. In particular, convergence accompanied by the spread of high-speed broadband enables one to be able to enjoy new services. One platform, namely IPTV, brought TV channels over a fixed broadband connection by which subscribers can access “real-time” TV channels as well as time-shifting services. In Korea, IPTV, as the fourth pay TV platform after cable TV, DBS and mobile TV, was initiated in the mid-2000s. However, true IPTV service, which is the transmission of TV channels, was suspended and only a pilot-service was allowed until the end of the neoliberal government due to rising conflict among stakeholders.⁷⁵

This chapter is divided into four sections. In the first section, it will set out the

⁷⁵ In 2008, following the inauguration of the new conservative government, the contesting argument surrounding IPTV since the mid-2000s was resolved when the government the government enacted new laws to launch IPTV with a combined regulatory authority.

characters and nature of IPTV and development in the global perspective. It will then examine regulatory challenges and the third section will discuss digital transition in relation to IPTV. Finally, it will examine rising disputes in the reception of IPTV services under the old regulatory framework.

8.2 IPTV and politics in the global context

What is IPTV? Occasionally, IPTV is known by other names such as “enhanced TV”, “Web TV”, “interactive TV”, “personal TV” and “TV over the internet” reflecting its many characteristic (see Jung et al., 2009; Noll, 2004; OECD, 2007b). In this thesis, IPTV will be defined as the method for which “television programs” can be “accessed over the internet and then watched in real time.” Using this definition, IPTV displays certain features. Firstly, instead of traditional TV reception free-the-air or by radio waves, IPTV utilises the internet protocol (IP) to transmit and store content to subscribers. Secondly, however, like the conventional pay TV platform, the TV set is the final terminal for the subscriber. Thirdly, by employing IP and digital technology, it can provide new services. Like digital TV platforms, IPTV subscribers can enjoy triple- or quad-play services. IPTV also offers VOD and interactive services via an IP network. However, these features have created a mixed response in stakeholders: for audiences, IPTV offers an alternative platform to enjoy multichannels. Meanwhile, existing pay TV platforms are under pressure with the arrival of IPTV because it is expected to eclipse their market share. Let us elaborate on this subject in more detail.

Convergence driven by digitalisation produced convergence media. According to Katz (2004), recent technological progress causes at least five fundamental shift: increased abilities to process user feedback; a tremendous increase in effective distribution capacities; the separation of applications from transport; continued increase in storage and processing power controlled by viewers; and global connection to the internet which raises jurisdictional issues for content regulation. However, in relation to IPTV, the main manifesto is the intensified competition in pay TV because it is an alternative platform for enjoying real-time TV channels. In other words, the launch of IPTV is supposed to sharp competition against incumbent operators (public broadcasters, cable TV, satellite TV) and telecommunication corporations in the convergence era. For

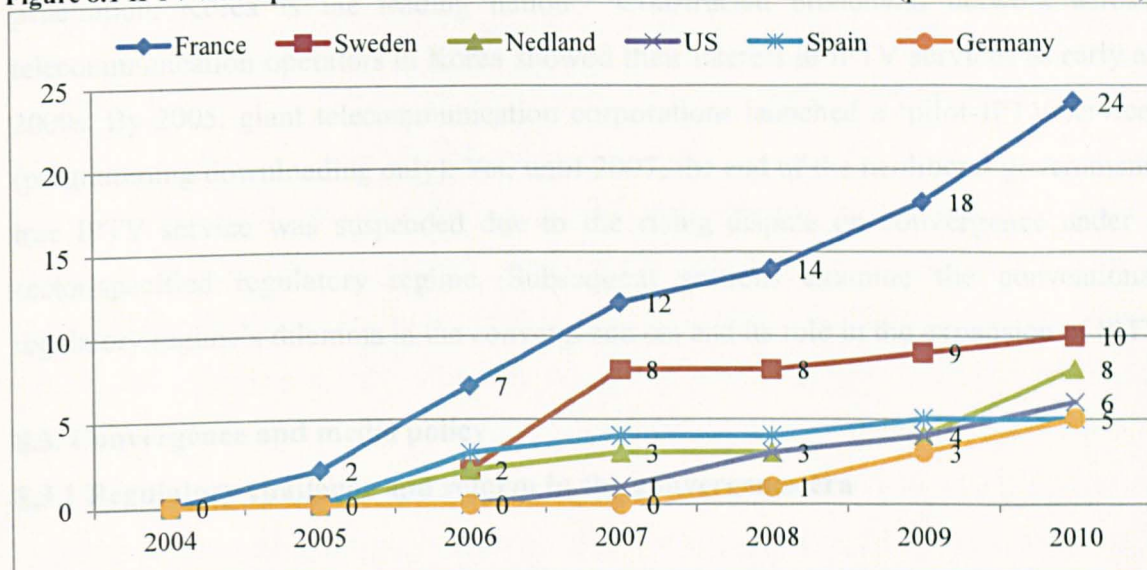
existing operators, the advent of IPTV demands new strategies to compete with the new entrant, while IPTV operators' success depends on whether it can attract customers from other platforms. Meanwhile, policy-makers face pressure to prepare a policy to accommodate the platform into the regulatory regime. A marked character in IPTV is a type of the convergence media (Gerbarg and Noam, 2004). The service is a culmination of the broadcasting, telecommunication and internet technologies. Indeed, IPTV services deliver content (broadcasting) via IP networks (the internet and telecommunication network). However, convergence (technology, service and industry dimension) provokes public concerns particularly in the sector-specified regulatory regime (see Chapter 4) because convergence media exists in a grey area in sector-specified regulatory system. In short, the arrival of IPTV posed new opportunities for audiences but challenges for media policy-makers.

The growth of IPTV

The growth of IPTV has been notable across nations. Across Europe, there are 43 commercial IPTV service in 19 nations, employing a variety of strategy and business models as of 2007 (Screen Digest, 2007). However, the existing pay TV operators, such as KDG and BSkyB in Germany and the UK, respectively, have hindered IPTV operators from attracting sustainable subscribers. Faced with strong competitors, however, the performance of IPTV in France is noteworthy. ISP Free, established in 2003, connected 2.6 million subscribers by 2007, providing triple services (OECD, 2007a: 23-4). In the US where cable TV and DBS dominated the pay TV market, the development of IPTV is no exception. AT&T and Verizon launched their services in 2006, connecting 9 million and 10 million households by 2008, respectively (Screen Digest, 2008b). AT&T's service, called U-verse TV, consists of SD and HDTV channels which enable its subscribers to integrate programming, music, and photos between TV and computer (Ibid). Verizon's service, called FiOS TV, provided more than 350 channels in 2006 which has increased even further, while Comcast, the largest MSO, announced its IPTV trial in 2007. In Asia, Hong Kong was one of the earliest proponents of IPTV. The telecommunication operator PCCW launched its service called NOW in September 2003 and has recorded 785,000 subscribers as of 2007.

Figure 8.1 IPTV take-up on main TV sets in countries

(per cent of TV homes)



Source: Ofcom (2011:117).

The success of IPTV largely depends on the platform's ability to provide compelling content. For a content supplier, the arrival of a new platform is an opportunity to multi-use and revenue stream. The success of PCCW in Hong Kong is attributed to providing killer content. Cooperating with News Corporation, the owner of Star TV, and other content providers have put the corporation in a leading position among pay TV operation, surpassing its competitors (see Yeo, 2008). Yet, offering attractive content to customers is a difficult matter for new born IPTV operators because established operators have already secured appealing content. Neil Berkett, the chief executive of BT Vision offering IPTV services, argues that the lack of compelling content, most of which are owned by BSkyB, has led to the struggle of the corporation (Fenton and Stafford, 2010). He insists that public intervention is inevitable because the existing DBS operator monopolised the most popular content, particularly sport right and film, and would not share with its competitor. Additionally, IPTV operators face many obstacles in the TV market. Apart from key content and technology problems⁷⁶, a further potential problem is that of low customer awareness. Potential subscribers must be educated in the added benefits of IPTV compared with existing platforms. One precondition to the development of IPTV is the growth of high-speed broadband service. In terms of broadband

⁷⁶ In order to provide real-time TV channels via broadband service, IPTV operators must guarantee a stabilized infrastructure and network capacity. For instance, video and VOD services must overcome traffic and security issues

penetration, Korea is the leading nation⁷⁷ Constructed broadband network across, telecommunication operators in Korea showed their interest in IPTV services as early as 2000s. By 2005, giant telecommunication corporations launched a 'pilot-IPTV service' (programming downloading only). Yet, until 2007, the end of the neoliberal government, true IPTV service was suspended due to the rising dispute on convergence under a sector-specified regulatory regime. Subsequent sections examine the conventional regulatory regime's dilemma in the convergence era and its role in the expansion of IPTV.

8.3. Convergence and media policy

8.3.1 Regulatory challenge and reform in the convergence era

This section looks at the pressures of sector-specified regulation and regulatory reform in the convergence era. In the convergence era, a commonly discussed subject on media policy is how regulatory authorities embrace convergence services under the regulatory framework. According to Ottaviani and Adda (2005), government still plays an important role in the convergence era in two reasons. One hand, governments own the radio spectrum, which are also reallocated to new operator after digital transition. On the other hand, government is obligate to regulate social objectives aim for achieving the universal service and maintaining plurality in the media market. However, convergence and digitalisation has put media policy at risk due to a widening gap between the new service and the existing social institution. In this sense, Mueller (1997) identified four policy issues in the digital era: harmonisation of disparate legal and regulatory approach; obsolescence of existing forms of content regulation; uncertainty about the proper scope and application of competition; and a diminution of local or national government autonomy in media regulation. The key fact is that conventional rationales in public intervention are undermined with the arrival of new services. While the industry and corporations have moved forward in the convergence era, the regulatory and legal institutions were still mired in a sector-specified framework. Hence the incumbent regulatory system may not be effective in achieving policy results. OECD (1998: 10) stated:

Convergence may place pressure on existing regulatory regimes. Convergence increases the cost of

⁷⁷ Due to dense apartment complexes, suburban housing and strong government intervention during the neoliberal government, Korea became the most connected nation in the 21st century (ITU, 2003a).

maintaining line-of-business restrictions, where they exist. Where there are no line-of-business restrictions, convergence highlights differences in regulatory requirements between the converging sectors. Convergence may also highlight problems of overlap or gaps in the jurisdiction of separate sectoral regulators. There is a clear trend towards the establishment of cross-sectoral “functional” regulators

Indeed, convergence causes policy-makers to reconsider the regulatory framework to address new services in a grey area. Sector-specified regulatory regimes in a convergence era are no longer justified if existing authorities do not cooperate. Three models are proposed to solve this problem (Levy, 1999: 152): a horizontal regulatory approach that deals with both carriage and content; a competition-based approach; and the creation of a single regulator integrating the telecommunication and broadcasting sectors. Of those alternatives, a commonly proposed option is the creation of a single regulatory institution. The establishment of a unified regulatory authority can provide advantages such as applying the same provisions for convergence media taking advantage of the economics of regulation and gaining political independence in policy decision making (see Iosifidis et al., 2005: 76-8). An example of a reformed regulatory regime in the convergence era is the UK’s Ofcom (see Chapter 4, also Iosifidis, 2011: 194-7). However the establishment of a new regulatory institution is a long way ahead because of contested interest, as we will see below. To summarise, convergence and the shift of media environment called for a policy-makers review the existing regulatory regime.

8.3.2 Rising concerns for the existing regulatory institution

How is the public interest ensured in the media market? Perhaps, an answer would include the enforcement of a consistent media policy and a justified regulatory authority. In order to effectively respond to the shift other media market accelerated by digitalisation, the neoliberal government needed to reform the existing regulatory institution. In this context, two regulatory innovations were borne by the government: KBC, established in 2000, and the Broadcasting Law of 2000. As has seen so far, the former was the first independent regulatory body to overlook the “broadcasting sector”, while the latter provides a legal framework on media policy during the neoliberal government. However, critics have never been shy and the institution drew much criticism. The criticism was highlighted with the arrival of convergence media. The problem was that even convergence and challenge of media policy was a critically

discussed subject in the 1990s (see Muller, 1997; OECD, 1998), the newly established KBC was only given oversight in the “broadcasting sector”. In fact, since the 1990s, the global media market has witnessed the arrival of new TV outlets and the shift of media environment (see Chapter 3). And provisions in the broadcasting law of 2000 could not stipulate emerging platforms such as convergence media including IPTV and TV-like services. Moreover, KBC was captured by the regulated industry, as had been noted in previous chapters, while public broadcasters and civil organization initiated the media policy-making processes.

In the convergence era, competition policy is a significant vehicle to regulate the converged service and industry area. Hence, scholars argue competition policy is useful measure to maintain effective competition and prevent abuse of market power in the convergence era. (see Doyle, 2002a; Iosifidis, 2011). Because anti-competition behaviour, as Doyle (2002a: 21) points out, causes ‘an indirect threat by driving out or denying access to other suppliers and output whose presence would increase diversity and pluralism’.

Table 8.2 Anti-competitor cases in broadcasting market (1998-2007)

Event	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Abuse of market dominance										14
Consolidation					2	7	2	3	7	3
Concentration					1					
Improper Cartels				1	1	2	2	1	1	1
Unfair transactions	1	2	3	2	9	2		6	27	
Industrial organisation		1			1		1			
Unfair provisions	1	1								1
Improper advertisement	2	3	4	1	10	5	10	3	1	
Complains				2	1	1				
Others						5	1		1	
Total	4	7	7	6	25	22	16	13	38	18

Source: Kim et al. (2008).

Referring to competition policy, a significant problem arose during the neoliberal government: increasing unfair practices and regulatory disputes between regulatory authorities. Table 8.2 analyses unfair behaviours in the pay TV market during the neoliberal government. By early 2000s, it was rare for FTC, the competition authority, to intervene in the market. However, one can witness an exponential number of cases such as concentration, unfair transition and abuse of market power in the following years. However, as has seen so far, jurisdiction dispute between FTC and KBC on who

has the right to regulate unfair practices undermine the rationales on media regulation. European Commission (1997) states, ‘regulation is not an end in itself’. Instead, it is a simple tool alongside the use of market forces for achieving wider social, economic and general policy objectives. However, incoherent policy between KBC and FTC significantly (see chapter 6) undermined the justification of a sector-oriented regulatory regime. Shortly, the criticism against KBC and continuous disputes between regulatory authorities called for the government to implement new measures.

8.4 New platforms and growing concerns

8.4.1 A range of impediment in digital transition

This sector deals with the situation of competitors prior to looking at the debate over IPTV. A smooth digital transition has been one of the top agendas for the regulatory authority (see Chapter 3). However, DSO or digital migration plan showed potential problems, as Starks (2010a) succinctly points out that government faced commercial, legal or political problems in the process. The problem in Korea has already been examined, showing issues such as the delay of analogue and conflict over the DTV standard in previous chapter. Generally, digital TV reception is conducted through public broadcasters, cable TV and satellite TV (Adda and Ottaviani, 2005) ⁷⁸ While telecommunication companies have moved into the broadcasting market through IPTV, existing platforms have been confronted by difficulties in digital migration. Let us examine the challenges by platforms in turn.

Firstly, by and large, a lack of government interest brought about unsatisfactory results in DTV migration. The *Digital Switchover Act* was barely drafted in 2007 (at the end of the neoliberal government) and finally approved in the National Assembly in 2009 (Jung, 2010). In fact, this was the first detailed plan that was created after the initial plan had been proposed in the 1990s. In addition, in 2008, with just a few years left before the analogue switch-off, the *Implementation Committee for Facilitation Digital Switchover*⁷⁹ was organised, consisting of only terrestrial broadcasters, while the participation of other platforms was excluded. Moreover, the low level of public

⁷⁸ DSB service, SkyLife, was launched on a digital platform after years of deliberation (see chapter 6).

⁷⁹ The trial switch-off was implemented in 2010 as a last effort to push digital transition to meet the target date.

awareness of DSO and low DTV penetration made it more difficult the digital migration. As of 2008, only 47 per cent of the nation's population was aware of the transition, while DTV penetration amounted to only 37.8 per cent and 47.9 per cent in 2008 and 2009, respectively (Ibid, 2010). In fact, the above situations illustrate growing pains in digital migration.

Secondly, by 2012, the launch of DTT is still an ongoing discussion. Due to disputes over the DTV standard, as has been seen in Chapter 7, the DTT project (whether free or pay model) has rarely drawn public attention. The pilot-DTT service, called the Multi Mode Service (MMS)⁸⁰, was conducted in 2006. The proponents of MMS services initiated by public broadcasters and their industrial organisations argued that free DTT is a solution to achieving the universal service without additional cost in digital TV reception. They also claimed that the MMS plan, composed of 30 channels offered for free, could be an effective agent for public broadcasters to compete with pay TV operators. However, the project has faced rising criticism. Pay TV operators argued that the launch of MMS could escalate the monopoly of the media market by a few public broadcasters in the digital era. For instance, the key opposition came from local cable TV operators supported by KCTA, claiming the MMS service could reinforce the dominance of the public broadcaster in the media market (KCTA, 2009). In fact, commercial platforms fear that the launch of free DTT service will reduce their existing subscriber base because most current subscribers rely on the cheapest package (see below). The contrasting view over DTT forced policy-makers to suspend the discussion by 2012, although public broadcasters⁸¹ have been persistent in their efforts to persuade the opposition and policy-makers. Yet, the difficulties in digital transition are not simply limited to public broadcasters. Cable TV, the largest pay TV platform, has also faced difficulty in turning its analogue subscribers to digital technology. Among an estimated 85 per cent share in pay TV connections, less than 10 per cent of subscribers chose digital service by 2008 (Jun, 2006; KCC, 2010b). Indeed, digital migration, as Starks (2007) observes, is not as easy as expected, provoking contesting interests between

⁸⁰ The MMS project refers that the existing five terrestrial channels (KBS1, 2, MBC, SBS and MBC) own additional six digital channels respectively (Lee, 2009).

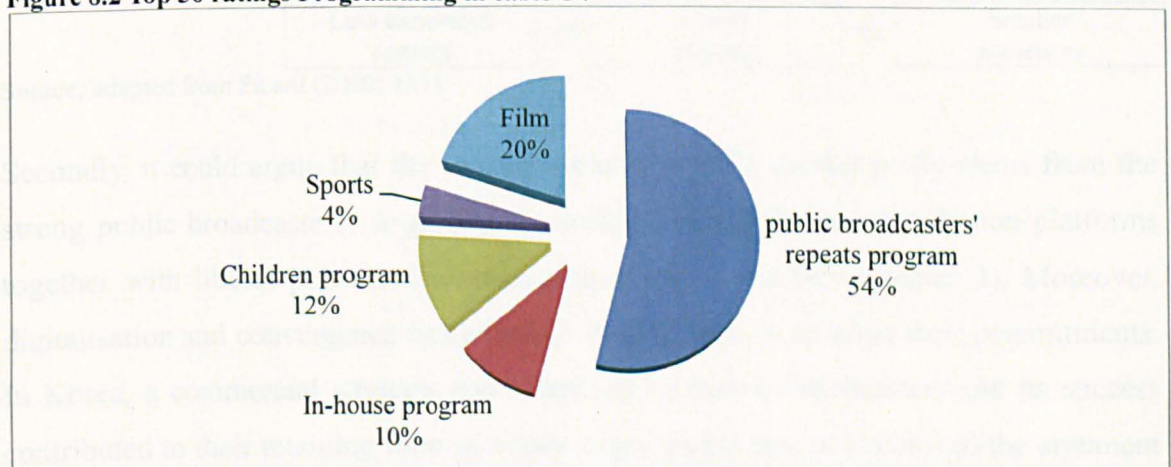
⁸¹ In order to ignite the discussion in 2009, the new President of KBS proposed the so called, K-View project, in which a major terrestrial broadcaster launched 30 digital channels similar to BBC's Freeview service.

media organisations. In summary, despite the advantages of digitalisation, most platforms in Korea have been confronted with difficulty in digital migration.

8.4.2 The vicious cycle in the pay TV market

The development of multichannel platforms provided new opportunities in the content market. As noted earlier, whenever the government initiated the deployment of a new platform, a commonly identified justification was the enlargement of the content sector. Nevertheless, a critical aspect of the media market is the absence of quality content. As has been seen so far, the growth of pay TV platforms by penetration is admirable. Their performance has transformed the media landscape into a competitive structure. However, one underlying concern is the newly established platforms' reluctance to invest in content. Rather, they find it easier and cheaper to broadcast repeated programming. In the media market, the most popular content is produced by a few public broadcasters, and the commercial channel's role is a conduit to deliver the public broadcaster's programming. Figure 8.2 illustrates that the most popular programming aired on the cable TV platform was repeated programming (54 per cent) from public broadcasters, while in-house programming occupied only 10 per cent.

Figure 8.2 Top 50 ratings Programming in cable TV



Source: adapted Yang (2011: 165).

In this context, critics brand cable TV as the “repeat platform”. Table 8.3 also shows the seriousness of the problem. The most popular TV programmes screened by public broadcasters are repeated by cable TV channels. For instance, *Two days and One Night*, originally aired on a weekend in KBS, has been repeated almost 2,700 and 1,130 times in 2009 and 2010, respectively, on all channels.

Table 8.3 Top 10 repeating programs in cable channels

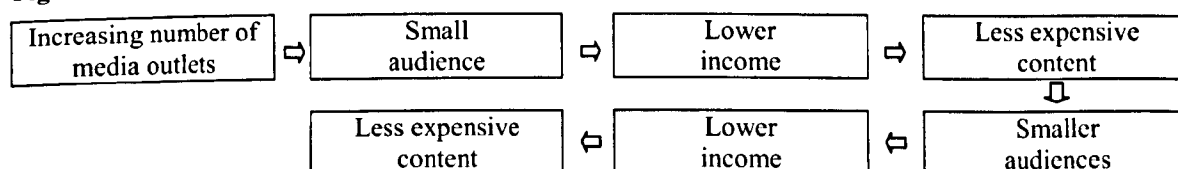
Programming	Repeats		Channels	
	2009	2010*	2009	2010
TV Animal Farm (SBS)	3,230	2,058	6	6
Catch Up Moment (SBS)	3,788	1,536	6	7
Unlimited Challenge (MBC)	2,133	1,140	5	7
Two days and One Night (KBS)	2,692	1,128	3	2
Unhindered Hiking (MBC)	1,407	1,122	4	4
Sponge (KBS)	1,566	1,009	8	6
Master in Daily Life (SBS)	1,770	890	5	5
Stockings (SBS)	1,708	854	5	5
Happy Together (KBS)	1,995	836	5	5
Triple Wheel (MBC)	1,380	824	4	6

Note: From January to May in 2010.

Source: Korean Economic Daily Newspaper (2010).

It argues that the situation provokes two significant problems: the vicious cycle of the pay TV market and the dominance of the public broadcaster. Firstly, the content market fell into a vicious cycle. Liberal policies positively affected the content market by removing entrance barriers and increasing competition. However, as Figure 8 depicted, a vicious cycle in the content market challenged existing operators who also competed with emerging platforms such as IPTV.

Figure 8.3 The vicious cycle of content investment



Source: adapted from Picard (2000: 187).

Secondly, it could argue that the vicious cycle of pay TV market partly stems from the strong public broadcasters. Arguably, the arrival of multichannel distribution platforms together with liberal policies threatened public broadcasters (see Chapter 3). Moreover, digitalisation and convergence forced public broadcasters to redefine their commitments. In Korea, a commercial strategy was embraced by public broadcasters and its success contributed to their retaining their positions in the digital era. In contrast to the argument that the digital era would bring the erosion of public broadcasters, Korean public broadcasters still exercised a significant amount of influence in the media market. By providing popular programming not only to their subsidiary channels (see Chapter 6) but also to competitors, public broadcasters offset declining ratings as well as created revenue in the pay TV market. In contrast, commercial broadcasters have struggled to survive in the market. In brief, the content market fell into a vicious cycle due to the

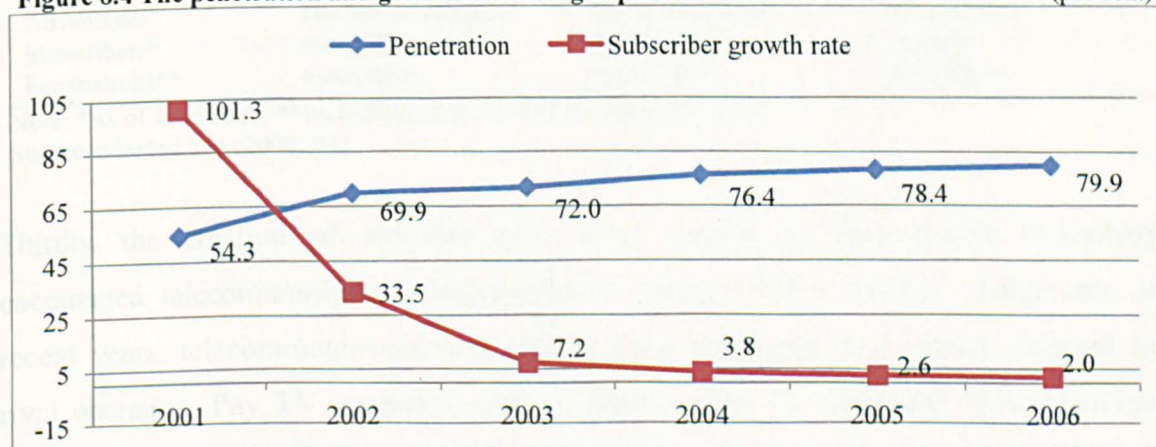
absence of investment and the dominance of public broadcasters due to the success of commercial strategies.

8.5 Accommodating IPTV and conflicting interests

8.5.1 The motivation of IPTV service and regulatory measures

In 2008, the new conservative government who defeated a decade-long neoliberal government abolished KBC, a flagship regulatory organisation in the neoliberal government. What drove this result? It can be argued that the sharp confrontation over IPTV policy under a sector-specified regulatory regime was a critical factor in the decision to demolish the existing regulatory institution. This section examines how regulatory disputes caused the suspension to the launch of the IPTV services and other problems in the convergence era. At first, we will examine the impetus of IPTV and regulatory measures. A marked feature is that the development of IPTV in Korea was initiated by telecommunication corporations and has been attributed to three interrelated aspects: the development of the high-speed broadband network, the saturation of the telecommunication market, and threat from competitors.

Figure 8.4 The penetration and growth rate in high-speed broadband service (per cent)



Source: Adapted in Media Future Institution (2008: 149)

Firstly, the diffusion of the high-speed broadband network contributed to the IPTV service. In 2001, the penetration had already recorded almost 55 per cent in Korea, reaching about 80 per cent in 2006 (Figure 8.4). This information infrastructure provided a positive atmosphere to the launch of IPTV. Indeed, the construction of the information infrastructure was taken on as part of the IT839 project during the Ro Mu-Hun

government, which earned Korea the position of IT leader⁸².

Secondly, telecommunication companies' initiation of the IPTV service is understood to be an instrument for overcoming the declining turnover. In this context, IPTV is labeled as an alternative way to aiding a decline in revenue of traditional telecommunication corporations (Informa, 2007d: 1, Screen Digest, 2007b). In Korea, obviously, existing telecommunication corporations gradually lost their turnover in the matured telecommunication market. Growth rate by total turnover in the industry record averaged 27.7 per cent from 1995 to 2004, while it was expected to reach -0.7 per cent by 2008 (Samsung Research Institution, 2005). As seen in Figure 8.4, for instance, the high-speed broadband market reached about 100 per cent growth rate in 2001. However, the growth rate dramatically declined by the mid-2000s, while the average revenue per user (ARPU) fell from 34,831 KRW to 30,728 in 2001 and 2004, respectively (Media Future Institution, 2006: 149).

Table 8.4 The pilot-IPTV service by telecommunication

	KT	Hanaro Telecom	LG Dacom
Service name	Mega TV	Hana TV	myLG TV
Programming	20 thousand	70thousand	4thousnad
Advantages	On-line newspapers	Pioneer operator	HD contents
Subscribers*	580,000	860,0000	100,000
Fee (month)**	6,800KRW	8,800KRW	8,000KRW

Note: *As of June 2008, **including telephone and the internet service
Source: adapted Yeo (2008: 93).

Thirdly, the creation of potential grey areas created by convergence technology encouraged telecommunication corporations to pioneer IPTV services. Admittedly, in recent years, telecommunication corporations have witnessed their market eclipsed by rival operators. Pay TV operators, such as digital cable TV, DBS and DTT platforms increasingly extend their service to the traditional telecommunication sector through triple service. In fact, by 2004, most local cable TV operators provided bundle services that included both TV and broadband. Accordingly, when faced with the shrinking of their markets, telecommunication corporations moved into TV marking by offering such as the launch of IPTV. Indeed, for telecommunication corporations, the launch of mobile TV (see chapter 7) and IPTV is viewed as an alternative market to generate revenue. By the

82 In his inauguration address in 1998, the Present Kim Dae Jung declared a vision of "Transformation to a Knowledge-based economy" where the government would expedite an information infrastructure, while every citizen would have access to information networks (ITU, 2003a).

end of 2007, major telecom operators in Korea launched pre-IPTV services (Table 8.4). In 2004, KT, the largest fixed-line telecom giant, started its service. By 2007, three major telecommunication operators had launched VOD services and connected subscribers, although live TV channels were prohibited. However, one unanswered question remained about convergence media. Who had the authority to govern IPTV under a sector-specified regulatory regime?

8.5.2 Who regulated converged IPTV?

One critical question arose: who had sovereignty in the regulation of IPTV under the old framework? It was argued that vertical regulatory regimes and sector-specified regulatory regimes were no longer justified if different regulatory regimes were reluctant to produce a coherent policy. In Korea, media regulation is based on the 'command and control system' where legal authority and the command of law are key tools to achieving the desired policy objects (see Baldwin and Cave, 1999: 34-5). However, the command and control system occasionally encounters hardship when appropriate rules are not defined. Hence, in terms of regulation, jurisdiction overlap may occur in the grey areas of convergence under a vertical regulatory regime. Table 8.1 summarises the responsibilities of agencies based on a vertical regulation principle in which content, platform and network were regulated by MCT, KBC and MIC, respectively (see also Chapter 4). In fact, just a few years following the launch of the new regulatory system in 2000, the industry already recognised the limitations in the sector-specified system.

Table 8.5 Value chain and jurisdiction of media regulation

	contents	Platforms	Network
Ministry of Culture and Tourism	●	○	○
Korean Broadcasting Commission	○	●	○
Ministry of Information and Communication	○	○	●

Notes: ● Main responsibility, ○ Supplementary role.

Source: Choi (2005).

Regarding the regulatory regime, a significant commitment is that of how the regulatory authority serves the public or citizens' interests (see Livingston and Lunt, 2007). However, evidence shows that existing organisations exploit the opportunity to retain their authorities concerning the establishment of new regulatory system. For instance,

MIC proposed two categories of structure comprising of “content” and “network”, reflecting the integration of platform and network. By contrast, MCI and KBC claimed that a new regulatory framework must be classified into three categories, namely “platform”, “broadcasting” and “information service” (Hong and Hwang, 2005). Views also diverged over the scope of the new institution. MIC argued just new legislation to address convergence media, while the other two entities, MCT and KBC, insisted on the establishment of a new authority as a comprehensive measure in order to embrace convergence services including IPTV. Such divided views, as interviewees (2009) pointed out, is understood to be each entity working in its own interest rather than the public interest.

Meanwhile, another key subject was the status of the new regulatory organisation: whether it should be a government body or an independent authority. The government agencies, MCT and MIC argued that the new entity should be a government department similar to the FCC in the US (see Lee, 2008). They insisted that the status of civil servants under government agencies would guarantee strong leadership in media policy-making. In contrast, the opposition to the government model proposed the independent model, criticising bureaucratic behaviours in the government model. The KBC alliance, composed of civil organisations and public broadcasters, argued that government organisation could undermine political independence in broadcasting regulation. Alternatively, it proposed an independent regulatory institution, like Ofcom in the UK, which would not only secure political independence but also professionalism in media policy (see Lunt and Livingston, 2012). Indeed, the contrasting arguments are understandable, given that each entity had been operating under different systems with different traditions, as we have witnessed in the development of pay TV platforms.

Table 8.6 Contesting regulatory view surrounding IPTV

	KBC	MIC
New service	Revising of Broadcasting Law	New legislation
Authority	KBC	MIC
Licensing	Broadcasting operators	Telecommunication operators
Ownership (Foreign capital)	up to 49 per cent	No limitation
Retransmission	Based on Broadcasting Law	No regulation
Franchise	Similar to cable TV franchise	Nationwide operators

Source: adapted Hong and Hwan (2005: 49).

However, conflict interest over the advent of convergence and government measure is highlighted around IPTV whose “true service” was in suspension.⁸³ Certainly, IPTV is a convergence media, as noted earlier, but incumbent authorities maintained conventional arguments. Table 8.5 summarises the key contesting points between KBC and MIC from conception to regulating authority. For instance, KBC insisted the IPTV service was an extension of the broadcasting service because it provides real-time TV channels similar to incumbent pay TV platforms. In this context, it argued that its content, ownership and licencing process must be regulated by broadcasting laws under KBC jurisdiction. The argument was strongly supported by public broadcasters and civil organisations who were reluctant to allow telecommunication operators into broadcasting services. On the other hand, MIC claimed IPTV was a telecommunication service and considering its use of the broadband network. It claimed that the service should be regulated with a light touch policy and unnecessary regulations should be avoided to promote new services. However, the underlying problem in the IPTV is a lack of compromise among stakeholders, although media policy is the consequence of compromising between conflict interests. In short, a sector-specified regulatory regime coupled with rising conflicts prevented the development of IPTV when the new political power took office in 2008.

8.6 Conclusion

Focusing on the IPTV service, the chapter examined the challenges confronted by sector-specified regulatory system. The chapter has showed that in contrast to the idea of a technological utopia, a new technology does not ensure automatic success of new service. The latest technology advance has allowed for real-time TV viewing using the IP network, offering an alternative platform to access TV channels as well as new services. However, the example of convergence media, IPTV service, was problematic because the regulatory regime was still under the old paradigm in Korea.

⁸³ Admittedly, the government set up ‘The Broadcasting and Telecommunication Convergence Promotion Committee’ under the Office for Government Policy Coordination’ in June 2007. And ‘Broadcasting and Communication Committee’ was also established in the National Assembly in January 2007. Both organisations were formed to streamline the regulatory regime for convergence service, focusing on the dispute over IPTV. However, they failed to find a solution due to unrelenting stakeholder interests (see OECD, 2007).

We can draw several lessons by tracing the development of IPTV. The first lesson is that sector-specified regulatory systems are not sustainable in the convergence era if there is an absence of coordination between regulatory authorities. It has demonstrated that the incumbent regulatory framework has been undermined due to rising conflicts surrounding grey services created by the ICT innovation. The second lesson learned is that the digital transition still has a long way to go. Despite optimistic views, each digital platform is experiencing difficulties, at least in Korea, on the road to digital migration due to rival interests and the lack of a consistent policy. The third lesson, referring to the relationship between media organisations, is that the convergence market is a battlefield for existing and new operators who attempt to move into the emerging market. Telecommunication corporations moved into the broadcasting market to compensate for the decline in revenue, while existing broadcasters, backed by civil organisations, were reluctant to open their market to rival operators. Lastly, like the previous chapter, the current chapter identified that public broadcasters still played a significant role in the convergence era. By producing and supplying appealing programming to commercial channels, public broadcasters have maintained a strong position. In contrast, commercial broadcasters fell into a vicious cycle without quality content, despite high penetration of pay TV platforms. In conclusion, this chapter has demonstrated technological convergence and unsustainable sector-oriented regulatory system in the convergence era have offered clues to the establishment of a new regulatory regime in Korea.

Chapter 9 Conclusion

9.1 Summary

Media developments and politics have received much academic interest. However, little attention has been given to media developments under the neoliberal government of Korea. The main goal of this thesis was to shed light on how the media system works, focusing on the introduction of the pay TV platform during the neoliberal government (1998-2008) in Korea. Drawing on historical context, the thesis has examined how politics affected the media ecology, focusing on the facing challenges of media policy in a shifting media landscape. This thesis embraced triangulation method in order to analyse the complexity of the media system and its interwoven aspects by using document research, semi-structured interviews and observational experience. The core argument of the thesis was that pay TV platforms are the catalysts to building new relationships among stakeholders in media market, particularly the public broadcasters and pay TV platforms.

This thesis was divided into two parts. Part one (Chapter 2 to 4) was devoted to a review of the media development in Korea and global levels. More specifically, Chapter 2 reviewed the evolution of the Korean media market before the neoliberal government came into power, while Chapter 3 was devoted to examining the shift of media landscape in global perspective. After discussion regarding the media environment from both a domestic and global perspective, Chapter 4 examined the nature of the pay TV market, addressing the challenges facing media policy. In part one, the work showed that media development in Korea was characterised by the state-driven system before the neoliberal government came to power. And it has also witnessed the global media market is faced a turning point. The turbulent media landscape was characterised: by the creation of global media corporations and concentration; challenges posed to the public broadcaster caused by such as decreasing funding and emerging new competitors; digital transition and convergence; and commercialization. In this process, the work has identified the shift of the media landscape has left growing uncertainties in the incumbent regulatory regime, as well as pressuring policy-makers to establish new measures deal with these issues.

Part two (Chapter 5 to 8) examined the creation and expansion of four pay TV platforms, cable TV, DBS, mobile TV and IPTV, which compete with each other as well as with

existing public broadcasters. The thesis has shown that a new platform does not ensure automatic growth. Rather development of a new platform was largely depended on social context. The expansion of the pay TV platform has built on growing tension what McQuail (1992) called “new order” where the media structure was reshaped associated with constructing new relationship in stakeholders, replacing “old order” marked by monopoly system. By way of conclusion, key findings and suggestions for future work are summarised.

9.2 Discussion on the pay TV development and politics

When the thesis elucidated its research purpose in Chapter 1, one of assumptions in the thesis was to avoid technological determinism. The work has therefore proposed that media development should be examined by three interrelated social institutions: state, market and civil society. One of the main conclusions is that unlike technological determinism, media development is largely dependent on social institutions. Technology determinists (see Williams, 1974) argue that technology is a more decisive agent than any other element for the expansion of the media market. However, the work has shown that technology is merely a single factor in human activities, along with a variety of social forces, such as political constraints, economic circumstances and cultural backgrounds. In other words, although media development is mainly led by the ICT revolution, technology is not an autonomous force but is determined by the intervention of various social institutions. The Korean pay TV example has shown that technological success alone cannot guarantee business success despite optimistic predictions. There are still considerable regulatory hurdles and rival interests that pay TV operators need to overcome.

Transformation but concern over pluralism in the media market

The first research question asks what change has occurred with the diffusion of pay TV platforms. Within the media market, we have traditionally witnessed the development of the public service model and the commercial model. In the public service model, which originated in most European nations, public intervention is justified towards the public interest such as pluralism. By contrast, the commercial model is characterised by

freedom of expression and less regulations in the market. Generally, the media market in Korea has been perceived a public service model where the terrestrial broadcaster is committed to serving the public interest rather than a commercial one.

The thesis has shown that prior to the neoliberal government, the media market evolved through three major phases. The first phase came to an end in the 1970s with the collapse of the authoritarian regimes. The formation of the public monopoly in 1980 marked the beginning of the second phase. The old dual system, comprising of commercial and public broadcasters, was created early in the 1960s, but it was destroyed by the authoritarian regime, leaving behind a public broadcaster monopoly system. Without competitors, public broadcasters have enjoyed unprecedented growth. The third phase, by the late 1990s, can be described as a revival of the dual system after the Civil Uprising in 1987 that ended the long-term authoritarian regimes. By far, the most important fact is that the media system was subject to strong government involvement. By adopting a repressive and conciliatory approach, the authoritarian regimes have exerted their influence in the construction of the media market.

However, the inauguration of the neoliberal government envisaged a new vision. Government no longer sustained old practices and led policy-making in a democratic manner. In this context, empowered civil organisations hampered by regressive governments and market principles, have gradually superseded the existing elites in the media policy-making process. It is particularly noteworthy that industrial unions within public broadcasters, accompanied by the accountable policy-making structure, were significant agents in the policy-making process. For instance, trade unions not only initiated the debate on the digital transition plan but also advocated the interest for public broadcasters on behalf of management.

One marked feature of the neoliberal government phase is that the media structure has transformed into a more competitive one. The variety of pay TV platforms alongside the incumbent public broadcasters has removed comfort duopoly and brought about intensive competition within the media market. In this context, 'external pluralism', whereby the media market is composed of a range of supplies was achieved. And to the extent 'consumer sovereignty' in which audiences would chose a platform to express

their voices was attained. However, 'internal pluralism', for instance variety of content, remains a concern because deregulation and market-driven policies have proven the exacerbate the concentration of media market. The pay TV sector, for example, was dominated by a few giant cable TV operators, while DBS and mobile TV confronted financial crisis. Indeed, the work has demonstrated that the establishment of commercial media, as McCheney (2004) observed, has resulted in a rising concern over concentration.

Media policy and lessons from pay TV

The second research question asks what roles are played by government, civil society and corporations in the development of pay TV platforms. A critical argument is the question of state sovereignty in the changing media environment. Some argue that the state has the same power as it used to hold, while others claim that national authority is on its last legs in the turbulent media landscape (Dahlgren, 2000; Holton, 1998; Murdock and Golding, 1999). This thesis has been careful to maintain that the Korean government still plays a significant role in the media market. Under this promise in Chapter 4, the thesis has examined legitimacy in public intervention and media policy because it plays a significant role in deciding the media structure. Additionally, it has also shown that the existing regulatory regime is under pressure due to the creation of supranational organisations, concentration, and compounded by new technology.

With regard to media policy, it can be concluded that the neoliberal government still commands leadership in the media market. Unlike previous authoritarian regimes, the government initiated the development of pay TV platforms in the liberal principle. Ostensibly, the neoliberal government conducted what Hardy (2005: 3) called "creative destruction' where market transition is maximized accompanied by the decline of the state role. However the media market has also witnessed public intervention during the pay TV development. Even generally perceived commercial media, such as cable TV and DBS, were treated as a key government project in order to boost the platforms in Korea. Nevertheless, strong government leadership has led to government failure. Occasionally, strict regulation and state-driven media policy have resulted undesired outcomes in the pay TV platform as seen by the early cable TV era in Chapter 5. But the work has shown that the media policy-making process has also altered more transparent ways. For decades, participation by the public such as interest groups was excluded in

media policy-making process by the authoritarian regimes. However, stakeholders such as civil society, described as a “fifth estate” in Korea (Kwak, 2003), and embedded parties contribute to a more open and transparent in the policy-making process. Sometimes, the government role was overwhelmed by interesting groups such as industrial unions in public broadcasters, as has been seen in the debate over digital transition in Chapter 7.

However, through an examination of the pay TV platform, the work has shown what I called a “crisis of media policy”. As regulatory authorities were captured by regulated industries, as elaborated by Horwitz (1989), the government failed to uphold a coherent media policy. As has been seen in DBS in Chapter 6, uncoordinated policy between regulatory authorities on the retransmission policy put the service on the brink of collapse. A more elaborate example is the failure of mobile TV due to the absence of leadership in the discussion on digital transition captured by regulated industry. Indeed, the government’s inability to achieve goals, such as “balanced media policy”, has led to the dominance of public broadcasters in the media market.

In addition, this work has identified the challenges of media policy. Media policy is the consequence of interaction and compromising between interested parties in order to serve the public interest (Napoli, 2001). When the government initiated the development of new platforms, it faced sharp opposition from existing operators. However, the government failed to coordinate rival interests such as rising conflicts commercialists and anti-commercialists, over the launch of new TV services. As has been noticed in the introduction of IPTV in Chapter 8, the failure of government policy to compromise between regulatory authorities not only suspended the service but also became a turning point for reforming the existing regulatory regime. The sector-specified regulatory authorities, KBC and MIC, were merged to create a single authority in the subsequent new right-wing government in 2008. To sum up, the thesis has shown that the government plays a central role in the expansion of media platforms and that only coherent media policies can attain designed policy goals.

What crisis? The strength of public broadcasters

The last research question addressed the response of public broadcasters to the arrival of pay TV platforms. The public broadcaster is perceived as essential space in democratic society by providing quality programming and is independent from both commercial and political interests (Blumler, 1992; Scannell, 1989). Nevertheless, the broadcaster faced a severe threat on every front in the new TV landscape: the lack of financing, pressure to downsize structures and criticism of a decline in quality programming (see Iosifidis, 2007). Furthermore, its traditional legitimacy is eroded and the pressure is compounded by market forces in an increasingly commercialised media market. However, a contesting argument is whether the public broadcaster's power is declined or maintained within the competitive market. For the public broadcaster, one selected strategy for survival and retaining power is to move into the commercial sector. However, the strategy is subject to criticism because the expansion of public broadcasters could weaken the activities of commercial broadcasters. The collision between public broadcasters and commercial broadcasters was illustrated in Chapter 1, by presentation of the McTaggart speech by James Murdock and Mark Thompson in 2009 and 2010, respectively.

In the Korean context, this thesis has demonstrated how the expansion of the public broadcaster challenges commercial broadcasters. The Korean public broadcasters maintain their influence in the media market by incorporating a mixed strategy. On one hand, the broadcasters directly moved into the pay TV sector by using vertical integration. By launching several commercial channels, they can offset their falling ratings, shares and revenue. On the other hand, the broadcasters have also employed defensive strategies. Regarding the introduction of mobile TV and IPTV, the broadcasters aggressively resisted the participation of rival operators, such as telecommunication corporations. They claimed that the public broadcaster acts as a ring-fence protection of the broadcasting market from profit-oriented telecommunication and commercial corporations. However, this was merely a strategic move to protect their existing market share and remain influential. To this end, an unplanned T-DMB was introduced following the resistance to digital transition, while genuine IPTV service was suspended for years. In fact, the expansion of the public broadcaster only helped further concentration of media market by the public

broadcasters. However important lessons can be learned from this. Firstly, if policy-makers fail to apply a coherent policy, particularly competition policy, a healthy media structure cannot be sustained in the convergence era. Secondly, without popular content in pay TV operators, Korean pay TV operators cannot achieve established goals. By and large, most popular programming were only produced by major public broadcasters, while the majority of pay TV operators deliver repeats programming aired by public broadcasters. In short, the public broadcaster is an important media institution but its commercial activities should be regulated if the government intends to build a competitive media market.

9.3 Suggestion for further research

The work has provided productive material for study. However, the thesis was constrained to a specific area, focusing mainly on pay TV platforms within a national context. In order to obtain a more detailed picture, the thesis suggests further study. Firstly, research has shown that there has been scarce attention paid to public broadcasters in Asia. As has been seen so far, the public broadcaster is a significant organisation in various political systems. Unlike the case studies on European nations using a single case or comparative studies, few have been devoted to the public service system in Asia. In line with political democratization and the commercialised media market in Asia, it is possible that the public broadcaster has served a different role such as democratic transition, compared to European nations. Study of the economic development and the public broadcaster in other Asia countries could provide further insight into media development and politics. Secondly, this work suggests further study of the pay TV platform, focusing on the neoliberal government is required. As has been seen noticed, the thesis has examined four different multichannel platforms in the neoliberal government. The evidence has given insight into how the media market has transformed in unique political terms. Nevertheless, due to limitations of volume, this study realises that certain areas, such as IPTV, are in need of further discussion. Accordingly, the thesis suggests detailed study on a specified platform within the neoliberal government.

Lastly, media development and politics in Korea are still standing on the threshold of a transition. The thesis suggests further study on the post-neoliberal government (2008-

present) and media reform. In 2008 a conservative government took office, terminating a decade of the neoliberal government. Unsurprisingly, the current government has drawn criticism with liberal policies. With respect to this thesis, a successful policy would result in the restructure of the regulatory regime in order to solve rising conflicts between sector-oriented authorities in the convergence era. The KBC and the MIC was combined to launch the KCC, which also terminated a long overdue dispute over IPTV policy. The new authority has introduced IPTV service through major telecommunication corporations, connecting more than 5 million households, as of 2012 (Digital Times, 2012). In contrast, the liberal policy of allowing cross-ownership between a broadcaster and the newspaper corporation has drawn serious criticism. New commercial channels owned by major press corporations, closely linked to the conservative government, were launched in 2011, despite concern from opposition parties and NGOs. It is still early to assess the outcome of the policy which subsequently will require future research. In conclusion, it should be noted that there is a limitation in generalizing the findings in this thesis because it is a single case study. Nevertheless, the neoliberal government is not a “lost decade” as argued by politicians and the experience learned in the introduction of pay TV platforms suggests an important lesson to policy-makers, academics and the media industry.

Appendix

Appendix 1: List of interviewees⁸⁴

- Che, Ku Hak: Director of Korean Culture Centre in UK, Former Director in Ministry of Culture and Tourism (25th April 2009, London)
- Dr Hawn, Bu Kun: Director of media policy division in Korean Communication Commission (10th June 2009, Seoul)
- Jung, Myeong Ho: Legislative researcher in the National Assembly, former Broadcasting and Communication Special Committee in National Assembly (10th June 2009, Seoul)
- Park, Hei Jeong: Director General in Korean Communications Standards Commission, Former Director in Korean Cable Communication Commission (9th June 2009, Seoul)
- Park, Hye Jin: Legislative researcher, Culture, Sports, Tourism, Broadcasting and Communication Committee in National Assembly (9th June 2009, Seoul)
- Park, Joon Young: Commissioner in Korean Broadcasting Commission (2003-2006), Former Chairman in Korean Broadcasting Institution (2008-2009) (5th June 2009, Seoul)
- Dr Kang, Dae In: Chairman of Korean Broadcasting Commission (2000-2003), Former Dean of Graduate School of Journalism & Mass Communication in Kankuk University (12th June 2009, Seoul)
- Dr Lee, Hyo Sung: Vice commissioner in Korean Broadcasting Commission (2003-2006), Dean of Graduate School of Journalism & Mass Communication in Sunkunkan University (11th June 2009, Seoul)
- Choi, Jun Keun: Auditor in Educational Broadcasting System, Former Director of Korean Broadcasting Commission (16th June 2009, Seoul)
- Dr Sung, Ki Hyun: Director General, Korean Cable Television Association (9th June 2009, Seoul)
- Dr Yun, Sung Oak: Research Fellow in Policy Team, Korean Broadcasters Association (16th June 2009, Seoul)
- Jung, Hae Sung: Commentator, News Division in Korean Broadcasting System (15th June 2009, Seoul)
- Kim, Jin Hyung: Senior reporter in Yonhap News agency (10th June 2009, Seoul)
- Kim, Yong Bae: Vice President in TU Media (11th June 2009, Seoul)
- Lee, Mong Rong: Chief Executive Officer of SkyLife (31th March 2009, Cannes)
- Oh, Gyu Seok: Chief Executive Officer in C&M (8th June 2009, Seoul)
- Park, Sung Ho: Senior reporter in news division, Munha Broadcasting Corporation (12th June 2009, Seoul)
- Seong, Hoi Yong: Director in Policy marking & External Relations, Seoul Broadcasting System (9th June 2009, Seoul)
- Sui, Jung Bo: Journalist in *Dong-A* newspapers (10th June 2009, Seoul)
- Suh, Chang Ryul: Director General in Korean Relay Operator Association (12th June 2009, Seoul)
- Youn, Seog Am: Vice President, Broadcasting division in CJ Media (8th June 2009, Seoul)
- Hwang, Chan il: Chief Staff in Choung Byoung Gug, Member of the National Assembl (10th June 2009, Seoul)

⁸⁴ The title and position in interviewees listed were those given at the date of the interview

Kim, Yong Chal: Chief Staff in Cha Mun Sun, Member of the National Assembled
(9th June 2009, Seoul)

Mun, Jin Ho: Chief of Staff in Che Ku Sick, Member of the National Assembled
(10th June 2009, Seoul)

Song, Cara: Equity Researcher in Nomura Asian research division
(19th June 2009, Seoul)

Bang, Michal: Senior media analyst, Macquarie Securities Korea Limited
(16th June 2009, Seoul)

Dr Kim, Kook Jin: The President of Media & Future Institution (11th June 2009, Seoul)

Dr Kim, Tack Whan: Director of multimedia Lab and editor in *Jungang Daily*
newspaper (18th June 2009, Seoul)

Dr Kim, Yong Joo: Senior researcher in Korean Press Foundation (10th June 2009, Seoul)

Dr Min, Gyung Sook: Chief Executive Officer in TNS Media Korea (15th June 2009,
Seoul)

Dr Ko, Jeong Min: Senior Manager in Technology & Industry department, Samsung
Economic Research Institute (15th June 2009, Seoul)

Dr Chai, Yong Muk: Sungkonghoe University (18th June 2009, Seoul)

Dr Kim, Eun Me: Younsei University, Visiting scholar in London School of Economic
(July 2009, London)

Professor Lee, Chang Kun: KwangWoon University (11th June 2009, Seoul)

Professor Lee, Sahang Shik: Keimyung University (12th June 2009, Seoul)

Professor Park, Mung Jin: Seoul National University, Chairman of Korea
Communications Standards Commission (9th June 2009, Seoul)

Appendix 2: The revenue in KBS by sources**(Million KRW)**

	Licence fee	Advertising revenue	Others	Total
1981	63,277	39,555	4,464	107,296
1982	90,942	63,915	3,114	157,971
1983	108,058	100,085	3,659	211,802
1984	125,562	136,756	9,493	271,811
1985	119,605	136,479	10,213	266,297
1986	101,254	148,710	7,620	257,584
1987	91,803	169,636	7,334	268,773
1988	78,973	215,289	42,765	337,027
1989	103,959	262,953	21,449	388,361
1990	122,965	303,300	13,114	439,379
1991	149,713	330,101	18,399	498,213
1992	169,216	350,158	26,998	546,372
1993	202,197	367,816	20,516	590,529
1994	217,111	424,555	26,944	668,610
1995	368,509	485,849	40,941	895,299
1996	378,537	594,457	53,161	1,026,155
1997	398,505	569,898	70,562	1,038,965
1998	414,669	335,882	58,041	808,592
1999	432,995	487,257	100,641	1,020,893
2000	447,206	672,316	59,572	1,179,094
2001	468,752	584,974	66,968	1,120,694
2002	481,969	735,163	104,610	1,321,742
2003	499,692	678,154	92,427	1,270,273
2004	513,391	628,231	107,455	1,249,077
2005	524,619	653,657	194,021	1,372,297
2006	530,428	667,540	204,295	1,402,263
2007	537,175	593,102	199,868	1,330,145
2008	546,792	532,594	224,399	1,303,785
2009	557,538	520,327	272,895	1,350,760

Source: KCC (2010c).

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