Chapter Three

Methodology

3.0 Introduction

Research is an objective, systemic, empirical and cumulative process used to solve certain theoretical or applied problems (Robin, R.B, Robin, A.M. and Piele, 1996). Despite the fact that every research process is distinct, all research has an identical purpose; that is, it seeks "to answer research questions not already answered by past research or to test hypotheses, which specify relationships among independent and dependent variables" (p.231). The approaches to how to answer questions (or test hypotheses) thus reflect researchers' methods of inquiry. The differences in research concerns, in research questions or in the hypotheses of each research or study render the application of relevant research methods and appropriate research designs crucial to ensuring the validity and value of a research project. To this end, the primary aims of this chapter are first to present the core research concerns and research questions; second, to provide a comprehensive account of the relevant research methods and the appropriate research design applied to answering the various research questions of this thesis; and third, to discuss any methodological problems that may have occurred during the research process as well as the corresponding solutions.

3.1 Core Research Concerns and Research Questions

This thesis addresses three core research concerns: each concern includes two corresponding research questions, i.e. a total of six research questions. The three core research concerns

appear below:

Concern One: The development course and actual situation of the television industry in China

Concern Two: The problems extant in the process of television development in China

Concern Three: The factors or reasons that underpin the problems extant in the process of television development in China

Based on the above three core research concerns, the six corresponding research questions include:

Question One: What has been the development course of the television industry in China?

Question Two: What is the actual state of the television industry in China today?

Question Three: What are the problems extant in the system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry?

Question Four: What are the reasons that underpin the above problems?

Question Five: What are the problems associated with the process of digital television development in China?

Question Six: What are the reasons that underpin the problems that persist in this process?

In an attempt to clarify my approach to the stated three core research concerns and six corresponding research questions, in the next section I expatiate on the relevant research methods and the appropriate research design employed to answer the various research

questions of this thesis.

3.2 Research Methods and Research Design

Communication studies is an aggregate of multiple academic disciplines, one of the contributing fields being sociology. As a component of sociology, and as with other sociological research projects, the domain of communication studies employs diverse research methods that have different features and are selectively used for distinct research projects or research purposes. In terms of the adopted research methods, most sociological research can be classified into two primary categories: quantitative research and qualitative research. Each research uses several specific research methods, such as quantitative research sampling, structured observation, content analysis, self-completion questionnaires, quantitative data analysis, and qualitative research's ethnography and participant observation, interviewing in qualitative research, focus groups, documents as sources of data and qualitative data analyses. Many researchers believe it helpful "to distinguish between quantitative and qualitative research. The status of the distinction is ambiguous, because it is almost simultaneously regarded by some writers as a fundamental contrast and by others as no longer useful or even simply as 'false'" (Layder 1993, p. 110, quoted in Bryman 2004, p.19). Drawing on Bryman's Table 1.1 (2004, p.20), I present Table 3.1 to outline the differences between quantitative and qualitative research in terms of the three fields.

TABLE 3.1 Fundamental differences between quantitative and qualitative research

Three fields	Quantitative	Qualitative
Principal orientation to the role of theory in relation to research	Deductive; testing of theory	Inductive; generation of theory
Epistemological orientation	Natural science model, in particular positivism	Interpretivism
Ontological orientation	Objectivism	Constructionism

Source: Bryman (2004, p.20)

Table 3.1 clearly shows the fundamental differences between quantitative and qualitative research. In line with this Table, quantitative research, which stresses quantification in the collection and analysis of data,

> entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories; has incorporated the practices and norms of the natural scientific model and of positivism in particular; and embodies a view of social reality as an external, objective reality (Bryman, 2004, p.19).

By contrast, qualitative research generally places strong emphasis on words rather than on quantification in the collection and analysis of data. In the words of Bryman:

> [it] predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories; has rejected the practices and norms of the natural scientific model and of positivism on the ways in which individuals interpret their social world; and embodies a view of social reality as a constantly shifting emergent property of individuals' creation (Bryman, 2004, p.19).

Marvasti suggests that "quantitative research involves the use of methodological techniques that represent the human experience in numerical categories, sometimes referred to as statistics. Conversely, qualitative research provides detailed description and analysis of the

quality, or the substance, of the human experience" (2004, p.7). However, in reality there is considerable overlap between the type of data and the methods of the two forms of research. Some researchers opt for what is referred to as 'mixed methods' combining quantitative research and qualitative research (Creswell, 2003, quoted in Marvasti, 2004). As Neuman (2006) states, no matter what methods they adopt, researchers try to "be systematic in gathering data, and to use the idea of comparison extensively" (2006, p.14).

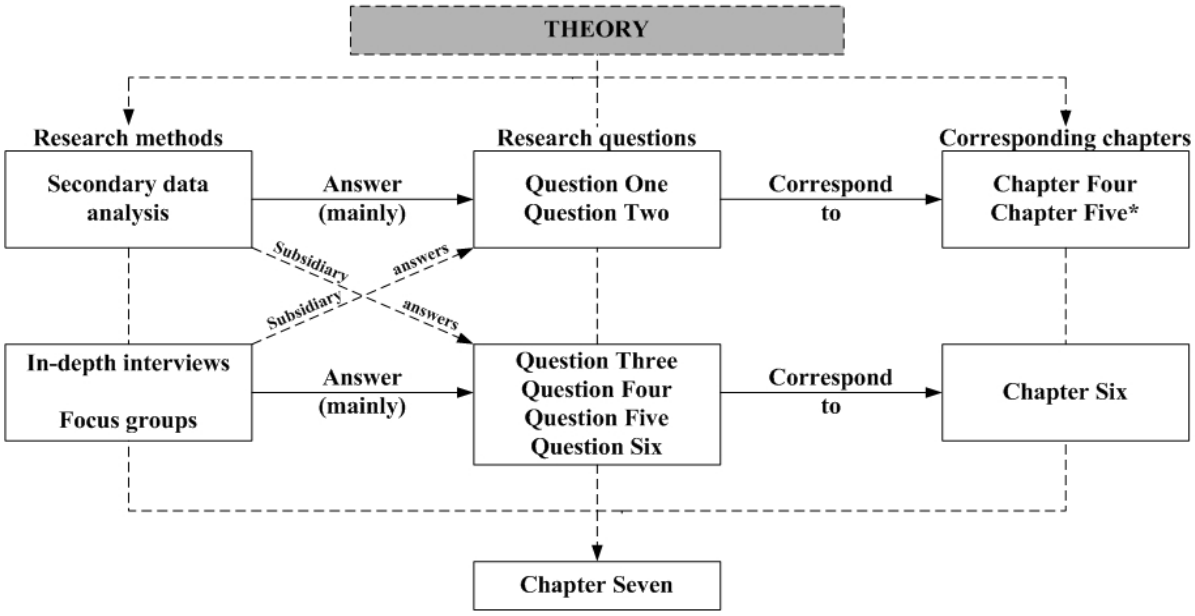
In terms of the above analysis, which is pertinent to quantitative and qualitative research as well as to the core research concerns and research questions of this thesis, my doctoral study may be regarded as qualitative rather than quantitative research. The qualitative research approach adopted as the fundamental research method of this thesis[57] involves secondary data analyses, in-depth interviews and focus groups. Of the three methods shown in Figure 3.1, secondary data analysis is mainly applied to answer research Questions One and Two, which correspond to Chapter Four 'The Development and the Actual Situation of the Television Industry in China' and Chapter Five 'Commercial Television in the U.S. and Public Television in the U.K'[58]. In-depth interviews and focus groups are mainly undertaken to answer research Questions Three, Four, Five and Six, which correspond to Chapter Six 'Results and Discussion'. The answers to all six research questions and their corresponding Chapters (Four, Five and Six) gained by the application of the aforesaid three fundamental research methods,

[57] Despite having adopted a qualitative research, approach vis-a-vis the fundamental research methods in this thesis, in light of certain research demands, secondary analysis of quantitative data is applied in a few places. For example, in section 4.2.2.2, Chapter Four, I use quantitative statistics produced by CVSC-SOFERES MEDIA (CSM) to analyse the changes in television audience market shares occupied by different administrative level's television stations/channels in China from 2002 to 2005 (see section 4.2.2.2, Chapter Four).

[58] Focus in Chapter Five is on the typical world systems of commercial television and public television i.e. commercial television in the U.S. and public television in the U.K. Chapter Five aims to provide comparable and referenced material regarding the development of China's commercial television and public television in the future. Although this chapter has no direct connection with research Questions One and Two, most of the content of Chapter Five is gained by the application of secondary data analysis. Chapter Five is thus viewed as one of the corresponding chapters of secondary data analysis (see Figure 3.1). More analysis concerning secondary data analysis and its relevant research design appears in section 3.2.1 of this chapter.

together produce Chapter Seven ‘Conclusions and Recommendations’. Figure 3.1 also shows that secondary data analysis is applied to secure the subsidiary answers to Questions Three, Four, Five and Six, and in-depth interviews and focus groups are undertaken to acquire the subsidiary answers to Questions One and Two. In the following three sections, I analyse in detail the three fundamental research methods, i.e. secondary data analysis, in-depth interviews and focus groups. As well, I present the relevant research design.

FIGURE 3.1 Outline of the research design



***Focus in Chapter Five is on the typical world systems of commercial television and public television i.e. commercial television in the U.S. and public television in the U.K. Chapter Five aims to provide comparable and referenced material regarding the development of China's commercial television and public television in the future. Although this chapter has no direct connection with research Questions One and Two, most of the content of Chapter Five is gained by the application of secondary data analysis. Chapter Five is thus viewed as one of the corresponding chapters of secondary data analysis.**

3.2.1 Secondary Data Analysis

Secondary data analysis is analysis of data collected “by researchers who will probably not have been involved in the collection of those data for purposes that in all likelihood were not envisaged by those responsible for the data collection” (Bryman, 2004, p.201). There are several reasons why researchers cannot participate in direct data collection. For example,

certain researchers, students for example, have neither the time nor the financial resources to conduct expensive survey research using questionnaires, structured interviews, structured observation and/or large size sampling. This is where secondary data analysis comes in. Secondary data may be collected by other researchers or by various institutions in the course of their business (e.g. many organisations, most notably government departments and their various representatives, collect data that are presented in statistical form and may be used by researchers). Thereupon, researchers can use such collected data to conduct their studies or projects (Bryman, 2004; Singletary, 1994).

Secondary data analysis may entail analysis of either quantitative data (Dale, Arber and Proctor, 1988, quoted in Bryman, 2004) or qualitative data (Corti, Foster and Thompson, 1995, quoted in Bryman, 2004). As I have suggested earlier in this chapter, this thesis has opted in favour of a qualitative research approach as the fundamental research method. This means that most of the secondary analysis is based upon qualitative data. However, in light of certain research demands, secondary analysis of quantitative data is applied in a few places in this doctoral study. For example, in section 4.2.2.2, Chapter Four, I use quantitative statistics produced by CVSC-SOFERES MEDIA (CSM) to analyse the changes in television audience market shares occupied by different administrative level's television stations/channels in China from 2002 to 2005 (see section 4.2.2.2, Chapter Four).

According to Bryman (2004), secondary data analysis has a number of advantages. These include saving the cost and time of data collection, providing high quality data, offering opportunities for longitudinal research, sizeable subgroup analysis and cross-cultural study,

proposing new interpretations via reanalysis, and the wider obligations of the social researcher. The strengths of secondary data analysis in this thesis have their genesis in the following two aspects, which are also the primary reasons why I opted for secondary data analysis as one of the three fundamental research methods of my study: (1) secondary data analysis may substantially reduce both cost and time of collecting data for the research; (2) it is relatively easier to access high quality secondary data rather than the first hand data of the same quality, particularly certain noted experts' perspectives and significant statistics.

In the case of this thesis, the primary purpose for using secondary data analysis is to answer research Questions One and Two, and to supply the subsidiary answers to Questions Three, Four, Five and Six, as shown in Figure 3.1. The design of Chapter Five needs to be especially interpreted. Focus in Chapter Five is upon the typical world systems of commercial television and public television i.e. commercial television in the U.S. and public television in the U.K. Chapter Five aims to provide comparable and referenced material regarding the development of China's commercial television and public television in the future. Although this chapter has no direct connection with research Questions One and Two, most of the content of Chapter Five was gained by the application of secondary data analysis. Chapter Five is thus viewed as one of the corresponding chapters of secondary data analysis (see Figure 3.1).

Obtaining secondary data is equally important to analyse these data. In this thesis, I gathered the secondary data using the following four main approaches: (1) The chief approach was using libraries. During my research, the most frequently used libraries included Macquarie University Library, the State Library of New South Wales, University of Sydney Library, UTS

(University of Technology Sydney) Library, Beijing Library, Tsinghua University Library, and Shandong and Shandong University Libraries; (2) The second approach was purchasing books and journals. Most of the English publications were purchased in Australia or online, while most of Chinese publications were bought either in China or online. During my 45 month period of study, I purchased over two hundreds books including both English and Chinese publications; (3) The third approach was to collect the latest publications and articles at international conferences; (4) The fourth approach was to gather the latest online articles, online journals and other secondary data (e.g. certain scholars' speeches and official statistics). In addition to the above four main approaches to obtaining secondary data, newspaper articles and television programmes also prove sources of valuable information or data; as well, they enlightened the researcher.

In terms of the definition and advantages of secondary data analysis, it was necessary to adopt a fundamental research method for this PhD study, essentially to answer research Questions One and Two, to supply the subsidiary answers to Questions Three, Four, Five and Six, and to complete Chapters Four and Five. However, secondary data analysis still has some limitations such as the researcher's lack of familiarity with – and the exceeding complexity of – the data (Bryman, 2004). Thus, one research method alone could not comprehensively serve the whole of this doctoral study. For this reason, in-depth interviews and focus groups were adopted as the other two fundamental research methods of this thesis.

3.2.2 In-depth Interviews

In-depth interviews, an increasingly popular research method in recent years, are often used as

a qualitative technique to gather the particular data or information sought by researchers. As Robin, R.B, Robin, A.M. and Piele (1996) state, in-depth interviews "allow one-on-one contact between the researcher and the respondent for longer periods of time (for example, 1 or more hours). They are usually structured; that is, an interview schedule of questions and question order is prepared ahead of time. They do, though, allow flexibility to follow up and probe reasons for certain attitudes and responses" (p.223). This implies that in-depth interviewing is actually founded on "the notion that delving into the subject's 'deeper self' produces more authentic data" (Marvasti, 2004, p.21).

In order to satisfy the demands of his/her study, the researcher will usually select fifteen to thirty people as respondents. Generally, the process of in-depth interviewing will be (a) audio or video recording, and (b) transcribing for further analysis. In order to obtain the respondents' perspectives, specific attitudes and responses to issues raised the researcher will prepare some general questions and/or produce a range of questions in advance. During the interview, respondents should neither be guided nor prompted by the researcher because the goal of the in-depth interview is to gain access to the hidden perceptions of the respondent in a relaxed and comfortable environment; that is, to ascertain his/her thinking and points of view, and to deduce an empathic appreciation of his/her world (Singletary, 1994; Marvasti, 2004).

As a guide to conducting successful in-depth interviews, Bryman (2004), Marvasti (2004) and Keyton (2006) summarise some basic elements to be considered when preparing the interview guidelines as well as some practical details to consider prior to conducting the interview/s.

They suggest that the researcher: (1) must be thoroughly familiar with the focus of the interview; (2) needs to formulate a number of interview questions in a way that will help the researcher to answer the research questions[59]; (3) must try to make the interview questions clear, simple and short; (4) must establish an order in which to ask questions[60] (but this order may be altered during the actual interview); (5) must use language that is comprehensible to the respondents; (6) must neither guide nor prompt the respondents; (7) must attentively listen to what the respondent says and determine what he/she is attempting to express; (8) must remember to have the respondents sign the consent form which will be co-signed by the researcher him or herself, record the respondents' detailed personal information including their full names, ages, gender, occupations, positions and number of years employed, and record the date, time and venue of the interviews; (9) must have good quality audio or video recording equipment to record the entire process of the interviews; (10) must choose a quiet and private place for the interviews, in order to minimise any external noise that can affect of the recording process and distract the respondents.

Just as with any or all research methods, in-depth interviews have both strengths and limitations. The most obvious strengths are implicit in the fact that: (1) the respondent is in front of the researcher for an extended period of time. During their conversations, the researcher can "probe more deeply, follow up on a response, or pursue a topic that you [the researcher] did not expect to address" (Keyton, 2006, pp.275-276); (2) the in-depth interview

[59] There are many types of questions that can be asked in in-depth interviews. Questions are highly variable. Kvale (1996, quoted in Bryman, 2004) suggests nine types, e.g. introductory questions, follow-up questions, probing questions, specifying questions, direct questions, indirect questions, structuring questions, silence, and interpreting questions. In terms of different stages of the in-depth interview process, interview questions can be classified as follows: initial open-ended questions, e.g. 'what was your life like prior to…?', intermediate questions, e.g. 'what do you like most about working in this company?', and ending questions, e.g. how have your views about … changed?' (Charmaz, 2002, quoted in Bryman, 2004). In a word, interview questions must be useful for the study or project and help the researcher answer the research questions.

[60] Usually, the interview questions and the order of them may be given to the respondent before the actual interview. However, this depends on the researcher's design and structure of the in-depth interview.

often provides the only opportunity to collect data from communication that cannot be directly observed" (p.276) and gathered from other researchers or various institutions in the course of their business. The above two advantages of in-depth interviews constituted the primary reasons why I opted for in-depth interviewing as one of the three fundamental research methods for my study. But I stress that in-depth interviewing can not be considered a perfect research tool due to certain limitations that influence the process of interviewing. For example, it is easy to stray off course when the respondent is speaking. At such times, the researcher must carefully and politely refocus the conversation (Mason, 1993, quoted in Keyton, 2006). I personally met with some problems while conducting in-depth interviews in China. These problems and their relevant solutions will be discussed in detail in section 3.3 of this chapter.

The chief purpose of the in-depth interview method used in this thesis was to answer research Questions Three, Four, Five and Six, and supply the subsidiary answers for Questions One and Two (as shown in Figure 3.1). In order to achieve this purpose, I spent eighteen months preparing, obtaining Macquarie University Human Ethics Committee approval[61] and conducting the in-depth interview research. Table 3.2, which appears below, shows in detail the schedule of the research.

[61] Macquarie University requires that all research involving investigating human beings be coordinated under its protocols. A copy of the Final Ethics Review Approval Letter (HE26MAY2006–D04727) is attached in Appendix A.

TABLE 3.2 Schedule for preparation for and conducting of interviews

Country	Step \ Year / Month	2006 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Australia (Phase one)	Step one: Ethics Review Committee approval	★																	
	Step two: prepare a formal consent form	★																	
	Step three: formulate interview questions		★																
	Step four: seek the respondents		★	★	★														
	Step five: select the target respondents					★	★												
	Step six: prepare video recording equipment						★												
China (Phase two)	Step seven: conduct in-depth interviews							★	★										
Australia (Phase three)	Step eight: transcribe tapes									★	★	★							
	Step nine: analyse and discuss the collected data												★	★	★	★	★	★	★

The in-depth interview research was divided into three phases consisting of nine steps: first, the preparation phase undertaken between June and November 2006 in Australia, covering steps one to six; second, the actual conducting phase from December 2006 to January 2007 in China, covering step seven; third, the transcribing, analysing and discussion phase from February to November 2007 in Australia, covering steps eight and nine.

Twelve interview questions were formulated and the order in which the questions would be asked as designed (see Appendix C). The interviewees were classified into three categories: scholars, media practitioners and officials. I selected a total of twenty-two target respondents consisting of eight scholars from Tsinghua University, Communication University of China, Chinese Academy of Social Science, Shandong University and Shandong Normal University respectively, four officials from Beijing and Shandong, and ten media practitioners from CCTV, Phoenix TV, Sun TV, Shandong television station and Jinan television station respectively.

Table 3.3 shows a record of the twenty-two in-depth interviews conducted in China. However, as regards the consent form that was required to be signed by all of the respondents, their personal information, i.e. name, gender, employment record, (the position each held in universities, television stations or units) remains confidential (see Appendix B). To this end, relevant personal information is codified as follows: ‘Scholar A’, ‘Official B’ or ‘Media Practitioner C’.

TABLE 3.3 Record of the twenty-two in-depth interviews conducted in China

Respondents' categories / Respondents' codes		Date (DD/MM/YYYY)	Starting time	Finishing time	Duration (Hours)	Audio record (Yes/No)	Video record (Yes/No)
Scholars (eight)	Scholar A	11/01/2007	6.00 p.m.	7.15 p.m.	1.25	Yes	Yes
	Scholar B	11/01/2007	10.45 a.m.	12.00 p.m.	1.25	Yes	Yes
	Scholar C	12/01/2007	10.00 a.m.	11.30 a.m.	1.50	Yes	Yes
	Scholar D	18/12/2006	2.00 p.m.	5.00 p.m.	3.00	Yes	Yes
	Scholar E	13/01/2007	3.30 p.m.	5.00 p.m.	1.50	Yes	Yes
	Scholar F	30/12/2006	10.30 a.m.	12.00 p.m.	1.50	Yes	Yes
	Scholar G	07/01/2007	3.40 p.m.	4.40 p.m.	1.00	Yes	Yes
	Scholar H	10/01/2007	3.45 p.m.	5.00 p.m.	1.25	Yes	Yes
Officials (four)	Official A	26/01/2007	2.45 p.m.	4.00 p.m.	1.25	Yes	No
	Official B	26/12/2006	2.20 p.m.	4.20 p.m.	2.00	Yes	Yes
	Official C	29/12/2006	9.45 a.m.	11.00 a.m.	1.25	Yes	No
	Official D	17/01/2007	3.30 p.m.	4.30 p.m.	1.00	Yes	Yes
Media Practitioners (ten)	Media practitioner A	06/01/2007	3.45 p.m.	7.30 p.m.	3.75	Yes	Yes
	Media practitioner B	31/12/2006	2.00 p.m.	3.30 p.m.	1.50	Yes	Yes
	Media practitioner C	04/01/2007	4.15 p.m.	5.30 p.m.	1.25	Yes	Yes
	Media practitioner D	07/01/2007	12.00 p.m.	1.00 p.m.	1.00	Yes	Yes
	Media practitioner E	07/01/2007	1.10 p.m.	2.10 p.m.	1.00	Yes	No
	Media practitioner F	11/01/2007	2.00 p.m.	3.15 p.m.	1.25	Yes	Yes
	Media practitioner G	15/01/2007	11.20 a.m.	12.20 p.m.	1.00	Yes	Yes
	Media practitioner H	15/01/2007	3.00 p.m.	4.00 p.m.	1.00	Yes	No
	Media practitioner I	16/01/2007	10.30 a.m.	11.45 a.m.	1.25	Yes	No
	Media practitioner J	26/12/2006	10.30 a.m.	12.00 p.m.	1.50	Yes	Yes

The twenty-two in-depth interviews conducted in China proceeded successfully. Although some problems were encountered during the process, all were satisfactorily resolved[62]. In the

[62] A detailed discussion of problems encountered and solutions found vis-a-vis in-depth interviews appears in section 3.3 of this chapter.

next section, I analyse the third fundamental research method employed in my study.

3.3.3 Focus Group

Focus group, a qualitative method dependent upon developing conversations with others, has been widely used in the past in the area of marketing research. But today it is gaining favour in some areas of communication research (Keyton, 2006; Robin, R.B, Robin, A.M. and Piele, 1996). A focus group, a planned group discussion led by one or sometimes two moderators or facilitators, is used for collecting data from a group of participants about a particular topic in a limited amount of time (2006). Usually a focus group comprises six to twelve participants but in some cases the number of participants may exceed twelve. The researcher (who may or may not be the moderator) conducts at least two (generally three to five) focus groups on a specific topic. Discussion may take from one to several hours, depending on the size of the group (e.g. the number of participants and the number and length of the moderator's questions). The moderator must ensure that each participant has an opportunity to respond to his/her questions (2006; 1996). As Robin, R.B, Robin, A.M. and Piele suggest: "Controlled group discussion is the key to successful focus groups so that all present get a chance to be heard" (1996, p.223).

As with in-depth interviews, there are certain basic elements in the preparation of the focus group guide and practical details to attend to before the focus group convenes. The moderator (or researcher): (1) needs to be thoroughly familiar with the focus group topic and have strong communication skills that will enable him/her to gently guide a group during discussion; (2) will create a focus group outline involving a series of questions to help the moderator prompt

participant interaction[63]; (3) solicits the appropriate participants through snowballing, networking, purposive sampling or personal communication (e.g. with friends and colleagues); he/she will select individuals who possess similar characteristics, who meet the researcher's selection criteria for creating a group of participants with homogeneous backgrounds but dissimilar attitudes and perspectives; (4) should share important characteristics with participants, see that the conversation proceeds well, and check to determine if all issues have been covered during the group discussion; (5) should encourage interaction and discussion between participants, not just ask them to answer the prepared questions; (6) must remember to have all participants co-sign the consent form, collect detailed personal information about each participant, and record the date, time and venue of the focus group; (7) should acquire good quality audio or video recording equipment to record the entire process of discussion; (8) must chooses a quiet and private place for the focus group, that is, minimises any external distractions that could impact on both the recoding process and the participants (Keyton, 2006; Bryman, 2004).

In many ways, individual in-depth interviews and focus group discussions may produce similar data. However, the focus group method has its unique advantages: (1) One of its most significant strengths lies in its particular form of data collection, which offers dynamic ways of "electing, stimulating, and elaborating audience interpretations. It is precisely the group dynamics and interaction found where several people are brought together to discuss a subject, that is seen as the attraction of this mode of data-collection" and renders it preferable to other research methods such as individual in-depth interviews (Hansen, Cottle, Negrine and

[63] In line with the researcher's plan, the participants may or may not be given a copy of the focus group outline, or may only be given a brief schedule.

Newbold, 1998, p.262); (2) Focus group methodology also provides an opportunity for the researcher to listen to participants talk about topics (in which the researcher is personally interested) among themselves without direction, input and/or pressure (Keyton, 2006); (3) A further bonus is that focus group discussions are more cost-efficient than individual in-depth interviews. This is because "a wider range of people can be interviewed within the same limitations of time, resources, and research money" (Hansen, Cottle, Negrine and Newbold, 1998, p.258); (4) Focus groups are able to generate information related to the same topic in different types of people (Keyton, 2006). The above four specific strengths of the focus group constitute the main reasons why I chose this particular methodology as one of the three fundamental research methods of my study. However, I would point out that focus groups have their limitations. For example, some participants only answer the moderator's questions when prompted: they do not actively join in the group discussion. Under such circumstances, the moderator must rectify the situation as soon as possible using selected effective approaches to ensure that every participant will be involved in the group discussion. I encountered this problem when I conducted the focus group in China. A detailed analysis of – and relevant solutions to – this problem appear in section 3.3 of this chapter.

In the case of this thesis, the chief goal of the focus group matches that of the in-depth interview; that is, to answer research Questions Three, Four, Five and Six, and supply subsidiary answers to Questions One and Two (as shown in Figure 3.1). In order to achieve this goal, I spent eighteen months[64] preparing, obtaining Macquarie University Human Ethics Committee approval[65] and conducting the focus group research. See Table 3.4 below:

[64] During the same period I prepared and conducted the in-depth interview research.
[65] Macquarie University requires that all research involving investigating human beings be coordinated under its protocols.

TABLE 3.4 Schedule for preparation for and conducting of focus groups

Country	Step \ Year / Month	2006 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Australia (Phase one)	Step one: Ethics Review Committee approval	★																	
	Step two: prepare a formal consent form	★																	
	Step three: create a focus group outline		★																
	Step four: solicit the participants		★	★	★														
	Step five: select the target participants					★	★												
	Step six: prepare video recording equipment						★												
China (Phase two)	Step seven: conduct focus groups							★	★										
Australia (Phase three)	Step eight: transcribe tapes									★	★	★							
	Step nine: analyse and discuss the collected data												★	★	★	★	★	★	★

Table 3.4 shows the detailed schedule of the focus group research, which includes three phases consisting of nine steps: (1) the preparation phase from June to November 2006 in Australia, covering steps one to six; (2) the actual conducting phase from December 2006 to January 2007 in China, covering step seven; (3) the transcribing, analysis and discussion phase from February to November 2007 in Australia, covering steps eight and nine. The process of conducting focus groups is in some ways similar to that of conducting in-depth

For a copy of the Final Ethics Review Approval Letter (HE26MAY2006–D04727) see Appendix A.

interviews. However, there are still some differences in the process of creating a focus group outline, e.g. soliciting the participants, selecting the target participants and in the actual conducting of the focus group.

Nine focus group questions were formulated and the order in which the questions would be asked as designed (see Appendix D). I planned to conduct three focus groups. In order to ensure that the participants in each group possessed similar characteristics, had homogeneous backgrounds and dissimilar attitudes and perspectives, seven media practitioners were selected for Focus Group One, six officials for Focus Group Two, and thirteen media researchers for Focus Group Three[66].

I now present Table 3.5 which shows a record of the three focus groups conducted in China. However, as regards the focus group consent forms compulsorily signed by all of the participants, certain personal information such as participants' names, gender and employment details (names of institutions, universities, television stations or units) remains confidential (see Appendix B). Relevant timetable information will be shown in Table 3.5.

TABLE 3.5 Record of the three focus groups in China

Focus groups	Date (DD/MM/YYYY)	Starting time	Finishing time	Duration (Hours)	Audio recording (Yes/No)	Video recording (Yes/No)
Focus Group One	22/12/2006	3.30 p.m.	5.30 p.m.	2.00	Yes	Yes
Focus Group Two	25/12/2006	10.15 a.m.	12.15 p.m.	2.00	Yes	Yes
Focus Group Three	25/12/2006	7.15 p.m.	9.15 p.m.	2.00	Yes	Yes

[66] Focus Group Three was originally to have had ten participants. The additional three participants, having observed this focus group, joined it on the day on which this group proceeded. Thus the final number of participants in Focus Group Three was thirteen.

In the next section, I discuss the primary problems that I encountered during my employment of the three fundamental research methods: second data analysis, in-depth interviews, and focus group. Relevant solutions will be suggested.

3.3 Problems and Solutions

As stated in the last section, I encountered several problems during my employment of the three fundamental research methods. In the following section, these problems will be discussed and solutions proposed.

3.3.1 Problems and Solutions: Secondary Data Analysis

My use of secondary data analysis was in the main successful except for a small problem that occurred during the process of secondary data collection (notably the Chinese publications). Because resources relevant to the development of China's television industry in Australian libraries or bookstores are limited, most of the secondary data pertaining to China's television development had to be collected via my purchasing of Chinese publications in China or through Internet access. And because it was not a viable option to commute to China to buy said books while studying at Macquarie University in Sydney, purchasing Chinese publications online became my chief approach to gathering the secondary data related to the thesis topic. However, there are problems attached to buying publications online; one cannot know conclusively whether the selected books or journals meet the requirements of one's thesis because full information pertaining to the publications is usually not displayed on the Internet. A concise description and brief analysis of the content of a publication may not be

sufficiently comprehensive to support certain perspectives, to be considered important data or reliable statistics. Hence, on occasion I unwittingly bought publications that failed to meet my research requirements.

It should not have been difficult to solve the above problems. The solution lay in conducting more thorough search into the publications I intended to buy. For example, I could have explored some relevant websites or blogs to access information about the publications. I could have contacted authors or publishers directly to inform them of my requirements and obtain more in-depth information about the publications.

3.3.2 Problems and Solutions: In-depth Interviews

There are two primary problems associated with the use of in-depth interviews. The first is that some respondents, particularly officials and certain media practitioners, do not want to reveal their thoughts. The chief reason for this may be that trust has not been established between the interviewer and the interviewee. Hence, in order to build a good personal relationship between the two parties, and by extension gain the interviewees' trust, it is very important to do some public relations work before attempting the actual in-depth interviews. In addition, there are certain interview skills in place that will effectively solve this problem. For example, interviewees can be asked each question in multiple ways: the researcher can pose broadly-based questions or very easy-to interpret questions in his/her bid to encourage the respondent to 'open up': then follow-up questions will manoeuvre the respondent toward the field of research study. In fact, the interviewees can be asked important questions two or more times if needed. The other problem is that some respondents feel awkward about video

recording. If this occurred, I negotiated with them and move the video camera to a more concealed spot so that the interviewee could relax and forget the presence of the camera. If the interviewee[67] still felt uncomfortable, the video recording approach to the interview had to be replaced by sole audio recording.

3.3.3 Problems and Solutions: Focus Group

The biggest problem that I encountered when conducting focus groups in China was when some participants answered my questions but would not actively join in the group discussion. When this occurred I had to correct this situation as soon as possible to ensure that every participant became involved in the group discussion. I first directed a series of opening questions to each participant, especially those who remained silent. Then I tried to ascertain the differences in the participants' perspectives and to stimulate debate among them. Then I let the discussion develop from that point on. Generally, this approach proved very effective, with all of the participants offering their own viewpoints as well as participating in the group discussion.

Summary

In this chapter, I have introduced the three core research concerns and six research questions, provided a comprehensive account of the three fundamental research methodologies used in my study (secondary data analysis, in-depth interviews and focus groups) and of the appropriate research design used to answer the various research questions of this thesis. As well I have discussed the methodological problems that can occur during the research process

[67] Among the twenty-two in-depth interviewees in China, five – including two officials and three media practitioners – ultimately refused video recording (see Table 3.3).

and offered corresponding solutions. The importance of this chapter lies in the fact that it draws a map of how to find out the answers to the six research questions, a map which will not only facilitate the furthering of this research but will also guide the writing of the following four chapters of this thesis. In the next chapter, I present both analysis and discussion of the development and actual situation of the television industry in China.

Chapter Four

The Development and the Actual Situation of Television Industry in China

4.0 Introduction

The television industry in China[68] has experienced fifty years of development since its naissance in 1958. Over the past five decades, China's television industry has gone through various historical periods, which have seen change in line with the development of Chinese politics, economy and Chinese society[69]. This chapter aims to answer research Questions One and Two, that is, it traces the development trajectory of China's television industry and employs secondary data analysis in a bid to determine the actual state of the television industry in China today. In addition, the perspectives of some of the respondents, who participated in the in-depth interviews conducted in China, will be quoted in this chapter, supplying certain subsidiary answers to the two research questions. This chapter contains two substantive sections: the development and the actual situation of the television industry in China.

4.1 The Development of the Television Industry in China

Scholars have divided the development of China's television industry into different phases, and although the divisions are not necessarily the same, the approaches and criteria of their

[68] As suggested earlier in Chapter One, the term 'China' in all chapters of this thesis means the mainland of the People's Republic of China (i.e. mainland China), a territory that includes thirty-one provincial level divisions consisting of four municipalities (directly under the control of the central government), twenty-two provinces and five autonomous regions, but excludes two special administrative regions (Hong Kong and Macau) and Taiwan in general (if I do not indicate otherwise).

[69] According to Hong (1998), China's television system is the largest and one of the most complicated systems of its kind in the world. China's television represents a highly complicated communication system, a powerful ideological machine and a unique social manifestation. During the past fifty years, notably since the nation's reform and opening up, the television industry in China has experienced tremendous change.

divisions are somewhat similar. This periodisation can be considered a symbolisation of key policy events over time, and the stages in the development of the Chinese television industry. Given the particular socio-political climate of China, i.e. its socialist system and the state ownership of all of the country's television broadcasting institutions[70], the development of China's television industry is to a great extent driven by politics or policies rather than by markets or profit, both today and in the long term. In other words, the process of China's television industry development is mainly guided by the various overlapping institutions of the Communist Party of China (CPC) and the Chinese government.

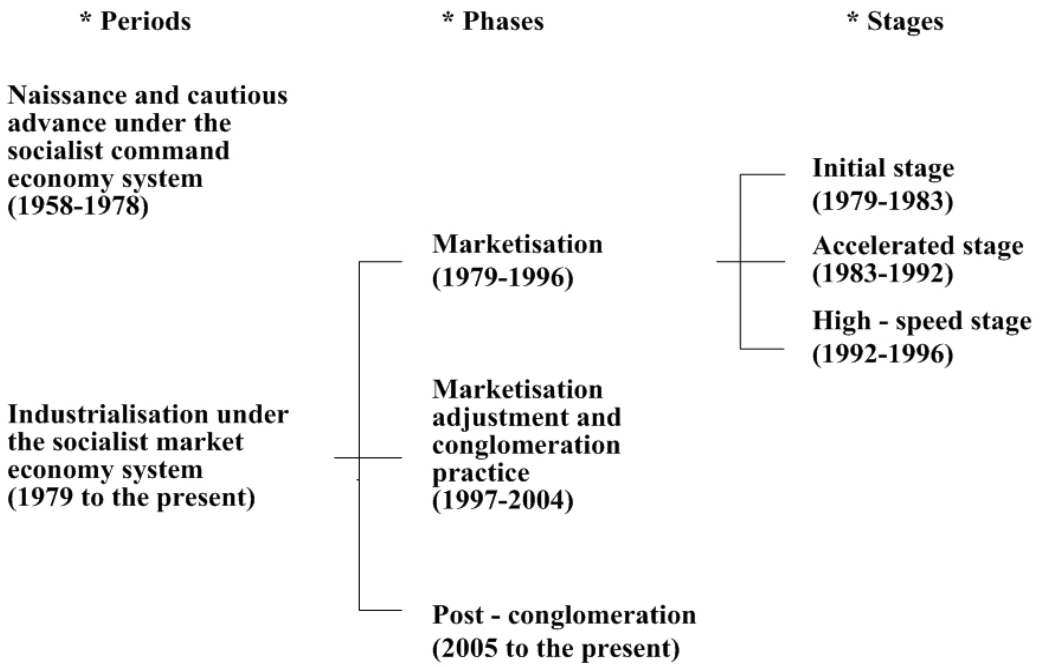
Concomitant with the further in-depth economic reform of China, markets could play an increasingly important role in development, especially in the industrialisation of China's television industry (notwithstanding the fact that the influence of Party attitudes and government policies[71] remains all-determinative). Many times, the Chinese government has had to take into account the factors and potential reactions of markets when fashioning future television policy. Thus, when I explore and analyse the fifty year development process of China's television industry, I need first to consider the explicit (stated) and/or implicit (behaviour-related) policies, then market-related factors as well as the actual state of television development at any given time. In line with the above, the development of the television industry in China over the past fifty years can be divided into two chief periods as shown in Figure 4.1: the period of 'naissance and cautious advance (caution through taking three steps forward and two steps backwards) under the socialist command economy system'

[70] The People's Republic of China (PRC) is a socialist nation, which believes that 'state-ownership' is the only appropriate form of ownership of its television broadcasting institutions. Therefore, all 'television stations' and 'broadcasting and television stations' in China belong to the state. For further analysis and discussion pertaining to the ownership of China's television industry, see Chapters Six and Seven.

[71] In this chapter, the term 'Party' implies the Communist Party of China (CPC). The term 'government' means the Chinese government in general (if I do not indicate otherwise).

(1958-1978) and the period of 'industrialisation under the socialist market economy system' (1979 to the present) (Huang, Ren, Wang and Zhou, 2004; Lu, 2002; Wu, 2003).

FIGURE 4.1 The development of the television industry in China



Source: Huang, Ren, Wang and Zhou (2004); Lu (2002); Wu (2003)

4.1.1 The Period of 'Naissance and Cautious Advance under the Socialist Command Economy System' (1958-1978)

This period began with the experimental broadcast of 'Beijing Television Station' (i.e. the present China Central Television[72]), China's first television station, on 1 May 1958. The station broadcast for twenty years until the reform and opening up of China in 1978 (Yang, 1999). Because, China was under a socialist command economy system during this time, all

[72] China Central Television (CCTV), the national television station of the People's Republic of China, commenced with an experimental broadcast on 1st May, 1958 and was formally launched on the 2nd of September in the same year. First known as Beijing Television Station, CCTV gained its present name on 1st May, 1978. An important news and mass communication organisation in China, CCTV serves as the major mouthpiece of the Communist Party of China (CPC), the Chinese government, as well as the Chinese people in general. At the nation's ideological and cultural forefront, CCTV plays a major role in political communication (e.g. news broadcasting), public service (e.g. social education and imparting culture), and commercial spheres (e.g. entertainment, sports, information services and other fields) (Yang, 1999).

television stations were non-profit institutional units. Television in China was deemed only to belong to the political (or ideological) institution. It was viewed as part of Chinese socialism, a tool used to disseminate political propaganda – to 'educate' the general public across the country – and the mouthpiece of the Party, the government and the people[737475].

4.1.2 The Period of 'Industrialisation under the Socialist Market Economy System' (1979 to the present)

As is well known, China's reform and opening up policy started towards the end of the 1970s bringing China rapid economic progress as well as considerable changed to its political, cultural and social fields. Television in China no longer could be seen as having only a single political (or ideological) attribute under the socialist command economy system (e.g. no longer a tool for disseminating political propaganda, a tool with which to 'educate' the public; no longer the mouthpiece of the Party, the government and the people). Rather, it gradually became endowed with dual attributes, i.e. political (or ideological) and economic (or industrial)[76]. From 1979 until today, China's television industry has progressed (and continues

[73] In this chapter, the term 'people' means the Chinese people in general (if I do not indicate otherwise).

[74] Throughout this period, the capital, equipment, salaries and welfare of Chinese television practitioners essential to maintaining the operation of the television stations were dependent upon limited government finance. Due to a paucity of funding, China's television industry grew very slowly in the first twenty years. The television stations were basically established at the central/national and provincial levels and only broadcast for a few hours per day. Almost all of the programmes were political or educational and 'singleness' was the most obvious feature of the form and content of television programmes at the time. Television programmes were produced by television stations themselves for their own broadcasting. There was no television production trading: only a few programmes were exchanged between television stations. During these twenty years, both the penetration rate of TV sets and the covering rate of television broadcasting were quite low. Only a few TV sets were visible in offices of the Party, government and army (i.e. Chinese People's Liberation Army). Most Chinese families had no knowledge of television (Scholar A, personal communication, Beijing, 11 January 2007). So as regards China's television development, the twenty years between 1958 and 1978 can be called the period of 'naissance and cautious advance under the socialist command economy system'.

[75] According to Keane, Fung and Moran (2007), television in China from 1958 to 1978 was subject to overtly interventionist and non-competitive market structures. "The arrival of the medium of television in the late 1950s heralded a new frontier of propaganda work. Despite an inauspicious development period, hampered by a lack of infrastructure and the temporary cessation of development during the Cultural Revolution, television soon became the primary cultural technology through which the Chinese leadership consolidated its hegemony … The development of television following the Cultural Revolution became a major platform of socialist modernisation" (pp.29-30).

[76] All guiding theories and ideologies of the CPC involving 'Marxism-Leninism', 'Mao Zedong's Thought (i.e. Maoism)', 'Deng Xiaoping Theory of Socialism with Chinese characteristics' ,'Three Represents' and 'Harmonious Society' always emphasise the importance of the political (or ideological) attribute of television, which is determined by the quality of the Communist Party. In the long term, China's television evolved under these guiding theories and ideologies (Lin, 2002; Wen, 2002). However, with the deepening and extending of the reform and the opening up, and the progress of the economic,

to process) along a path of industrialisation with Chinese characteristics. The approximately thirty years that have elapsed since 1979 are considered the period of 'industrialization under the socialist market economy system', which consists of three phases: the phase of marketisation (1979-1996), the phase of marketisation adjustment and conglomeration practice (1997-2004), and the phase of post-conglomeration (2005 to the present).

4.1.2.1 The Phase of Marketisation (1979-1996)

In order to provide an overview of certain significant historical events, and the symbolism of the policies and features of television development during the various periods of the marketisation process of China's television industry from 1979 to 1996, I will divide this phase into three stages: (1) the initial marketisation stage (1979-1983), (2) the accelerated marketisation stage (1983-1992) and (3) the high-speed marketisation stage (1992-1996).

(1) The Initial Marketisation Stage (1979-1983)

At 3:05 p.m. on the 28 January 1979 (the Chinese New Year's Day), Shanghai Television Station[77] broadcast China's first television advertisement – Shanghai Medicinal Materials Company's 'Ginseng-Longan Wine' advertisement. This heralded the initial stage of China's television marketisation, albeit in the face of external pressure and doubt[78]. The broadcasting of China's first television advertisement symbolised Chinese television blazing a new trail of

cultural, political and other social fields in China, the economic (or industrial) attribute has been gradually recognised as well as increasingly taken into account. This is primarily represented by the changes of television policies as well as by some measures of pushing the television industrialisation of the government. Thus, the present official orientation of the television industry in China is its dual attributes: both political (or ideological) and economic (or industrial) attributes (Song, 2005; Tang and Li, 2005). More about the television policies and industrialisation measures being considered by the Chinese government appears in the following sections of this chapter (i.e. the three phases in the period 'industrialisation under the socialist market economy system').

[77] Shanghai Television Station (the present Dragon TV) is an important satellite television station at the provincial level in China, appertains to Shanghai Media Group (SMG). On 23rd October 2003, the Shanghai Television Station changed its name to Dragon TV.

[78] According to Lu, (2002), Associated Press, Reuters and over twenty other western news agencies or media reported this event, seeing it as a sign of China's reform and opening up.

income generation after twenty years of total dependence on fully covered but meagre government subsidies (Lu, 2002). As well, it symbolised the launching of television industrialisation in China under a socialist market economy system. In this stage, television stations in China were still state-owned institutional units, most of which were concentrated at the central/national and provincial levels. They had no profit demands or tasks. Although the television stations featured advertising, the amount accrued was quite small. Hence, their operations basically still depended on limited government funding.

(2) The Accelerated Marketisation Stage (1983-1992)

This stage began with the 'Television Stations Established on Four Administrative Levels[79]' (TSEFAL) policy, which was formulated at the working conference of the Ministry of Radio, Film and Television of the PRC (the present State Administration of Radio, Film and Television of the PRC) convened between the 21st of March and 10th of April, 1983 in Beijing. The core of this policy was that each government of the centre, provinces, prefectures/cities and counties should establish their own television stations in order to achieve the popularisation and superposition of television broadcasting in the precincts at the four Chinese administrative levels (Zhao and Zhang, 2005).

The TSEFAL policy significantly changed and re-focused China's television development, directly bringing about the rapid progress of the television industry. Since this policy was implemented, the number of television stations has increased year after year[80]. In the early

[79] The four administrative levels are the centre/nation level, province level, prefecture/city level and county level.

[80] According to Lu (2002), the number of terrestrial television station in China was 52 in 1983; by 1992, this number had increased more than ten times, reaching 586. This indicates that the TSEFAL policy indeed accelerated the development of television stations in China, particularly the television stations at the prefecture/city and county levels. Hence, this policy was deemed an effective approach to enhancing the popularisation and cover of television broadcasting in China, the most

years of this stage, the operation of television stations in China still depended on government subsidies. However, the government budget for television stations gradually declined as revenue from television advertising rose markedly[81][82]. By the end of the 1980s, the government ceased its subsidisation of television stations. China's television industry now entered a new era of self-dependence.

However, the latent disadvantages of the TSEFAL policy can not be disregarded despite this policy to some extent signalling an improvement in China's television industry in a given historical period and external circumstance. First, this policy was formulated at the beginning of China's reform and opening up. At that time, China was just emerging from a socialist command economy system. The financial ability of each government from the central to the county level was limited and barely adequate. Under these circumstances, the developers of the television industry in China should have stressed the need to improve the pivotal central or provincial television stations, not the blind and excessive extension of the popularisation and cover of television broadcasting. Second, by only placing emphasis on 'establishing television stations', this policy failed to restrict the quantity and scale of television stations, thereby engendering hidden problems for the further development of the television industry in China, e.g. untrammelled proliferation of quantity and repetitious building of television stations.

populous and third largest country in the world.

[81] According to Lu (2002), the revenue from China's television advertising was 16 million yuan (approx. USD 2.13 million) in 1983 but it reached 2,255 million yuan (approx. USD 299.96 million) in 1992, rising approximately 140 times in 10 years. According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the Chinese yuan (CNY) on 30th September 2007 was 1:7.51756, which is regarded as the only exchange rate between USD and CNY in this chapter.

[82] As Keane, Fung and Moran (2007) state, "decentralisation of administration during the mid-1980s allowed local [television] stations the opportunity to chart their own course in financial management and program development" (p.30).

(3) The High-speed Marketisation Stage (1992-1996)

The 1990s saw not only the reform and opening up of China moving apace: the marketisation of China's television industry also entered a high-speed stage, the commencement of which was symbolised by the *Decision Regarding Accelerating the Development of the Third Industry* (hereafter abbreviated to 'the Decision'), issued by the Central Committee of the CPC and the State Council of the PRC in June 1992. The Decision expatiates on the significance, goals, emphases and approaches of the escalation of the third industry[83] in China. The major idea of the Decision was that it required the state-owned institutional units and enterprises appertaining to the third industry to gradually transform their business (or operation) patterns from institutional to commercial (or enterprisation) and to embrace the self-management as well as assume the sole responsibility for profit and/or loss (Wu, 2003).

According to the Decision, although China's television industry is categorised as the third industry, and its economic (or industrial) attribute is officially recognised by the government, the essential quality of television stations in China, i.e. the state-owned institutional units, remains to date unaltered. The Decision, in fact, only demands the transformation of the business (or operation) pattern and management form of China's television stations. It does not change the essential quality of the state-owned institutional units. In other words, state-owned ownership of China's television stations has yet to change. This is the so-called 'institutional quality with commercial (or enterprisation) management' of China's television stations[84].

[83] In light of my previous explanation about 'the third industry' in Chapter Two, television industry appertains to the category of the third industry. For further information about 'the third industry', see section 'Television Industry Economics', Chapter Two (2.3.4).

[84] During this stage, the revenue accrued by China's television industry rose rapidly. The increased average yearly rate reached sixty per cent in the five year period between 1992 and 1996 (Huang, Ren, Wang and Zhou, 2004). Additionally, as

From all accounts, the phase of marketisation of China's television industrialisation spanned from the end of the 1970s until the middle of the 1990s. As regards its positive aspects, the phase of marketisation established political (or policy) and economic (or market) bases for the further progress of television industrialisation in China, evident (a) in the political (or policy) sphere where the government allows a diversity of content of television productions (involving television programmes and television series); as well it is gradually deregulating the production and management of most television series and entertainment, sports and some cultural television programmes away from politics (or ideology), news and socially sensitive issues, and (b) in the economic (or market) sphere, evidenced in the decline of government subsidies, with the source of revenue of all China's television stations now transferred from government finance to rapidly increasing television advertising based on the prevailing market forces.

Conversely, marketisation's negative aspects include two factors: (a) the marketisation of China's television industry did not proceed maturely and completely. The essential problems that have plagued China's television industry have in fact never been addressed, e.g. ownership. All of China's television stations are still state-owned institutional units. A propos of the traditional maintenance of political interests, the government always stresses the

cable and satellite technologies were widely applied to the progress of the television industry, the number of television stations in China grew rapidly. At first, television stations were only established at the centre, and at the provincial, prefecture/city and county levels. However, at this stage, some towns and even villages also had their own television stations. According to statistics produced by *The China's Radio and Television Yearbook (1999)*, by the end of 1996 there were more than 4,000 television stations in China (Lu, 2002). But the large number of television stations directly led to the serious waste of human, financial and other social resources. Many cities or towns had several television stations respectively. The majority of television channels were broadcasting the same television series simultaneously and competition vis-a-vis television advertising became torrid. In the absence of the corresponding supervision and regulation of television broadcasting at the county and lower levels in these areas, some television stations broadcast pirated Hollywood movies and even coarse and obscene programmes, as a way of attracting audiences.

importance of the political (or ideological) attribute of television, by extension using regulated instruments to affect and interfere in the normal market behaviour of television. All of the above constitute the latent factors contributing to the failure of the conglomeration practice in the next phase; (b) the marketisation of China's television industry fails to make overall plans and to take all factors into consideration, which directly causes blind development, the repetitious building and serious waste of human, financial and other social resources extant in China's television industry. Is not China's world record of over 4,000 television stations in this phase the best illustration of this?[85][86]

4.1.2.2 The Phase of Marketisation Adjustment and Conglomeration Practice (1997-2004)

In December 1996, the Central Committee of the CPC and the State Council of the PRC promulgated their *Notices on Enhancing Regulations of Press, Publication, Radio and Television* (Document No. 37). This document stipulates that due to an over-rapid increase in quantity and scale, repetitious building, and a paucity of experienced practitioners and managers, China's television industry faces serious problems, e.g. waste of resources and low quality TV productions. Lu (2002) insists that emphasis on China's television industrialisation should move to the control and the decrease of the number of television stations and structural reform of the television industry. In fact, Document No. 37 proposed momentous policy adjustment vis-a-vis television industrialisation. Following its emergence, China's television

[85] According to Keane (2004), the deregulation of China's television, along with the rush to set up television stations in the 1990s, led to "a supply-driven media environment in which cooperation between stations was a means of ensuring distribution. Of course, the legacy of state planning and the 'iron rice bowl' practice of lifetime employment also contributed to the lack of competitiveness. Television stations, in particular the big urban stations, employed many people; those who worked in such occupations were inclined towards conservatism such that keeping officials happy was as much a priority as satisfying the imagined viewer" (p.93). To underscore this, the guiding principle underpinning state television – as espoused by the State Administration of Radio, Film and Television (SARFT) – was that television served the 'party, nation and people'.

[86] The problems that impede the process of China's television development will be analysed and discussed in Chapter Six.

industrialisation reformation went into a phase of marketisation adjustment and conglomeration practice (1997-2004), which includes two stages: (1) marketisation adjustment – reducing the number of television stations (1997-1999); (2) conglomeration practice – continued decrease in the numbers of television stations and the contemporaneous practice of television conglomeration reform (1999-2004).

Since Document No. 37 was issued, despite the number of television stations having declined, there were still more than 3,000 by the end of 1999 (Wu, 2003). Clearly this did not meet the initial goal of the government. The Ministry of Information Industry of the PRC and the State Administration of Radio, Film and Television (SARFT) of the PRC duly introduced *Views on Enhancing Regulations of Constructing Cable Networks of Radio and Television* (Document No. 82) in 1999. The primary content of this document was as follows: (1) the separation of television stations and broadcasting networks; (2) the consolidation of radio and television as well as cable television and terrestrial television; (3) implementing the 'Television Stations Established on Three Administrative Levels' (TSETAL) policy in place of the previous 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy, i.e. closing all county television stations and abrogating the qualification of county governments to establish television stations, permitting establishment at three levels only (central, provincial and prefecture/city). Only qualified governments at the centre, in the provinces, and in the sub-provincial cities (or deputy-provincial cities) would be permitted to establish media groups, broadcasting corporations or broadcasting groups consisting of radio and television (and film[87]) (Wang, 2005). China's television industrialisation now entered a new stage of

[87] In China, media groups or broadcasting corporations at the centre and provincial levels are usually composed of radio, television and film. However, most broadcasting groups at the prefecture/city level only contain radio and television, with no

reduced numbers of television stations and the contemporaneous practice of television conglomeration reform. The features of this stage were the following: closing county television stations and integrating the prefecture/city television stations of small importance and scale to solve the problems of repetitious building and excessive and disordered competition; establishing media groups, broadcasting corporations or broadcasting groups by consolidating radio and television as well as cable television and terrestrial television, thereby building the perceived 'Chinese mother ship' of the television industry.

Subsequent to the implementation of Document No. 82 in 1999, the number of television stations rapidly declined. Most county television stations were transformed into broadcasting and television stations[88] or television institutions in other forms. According to statistics produced by the SARFT of the PRC, as shown in Table 4.1[89], by the end of 2004 the number of television broadcasting institutions in China totalled 1,688. Among these were 315 television stations (including 1 central/national level, 32 provincial level, 272 prefecture/city level, 1 county level and 9 special television stations), 62 education television stations (including 1 central/national level, 10 provincial level and 51 prefecture/city level education television stations) and 1,311 broadcasting and television stations (including 1 provincial level,

film.

[88] More than 95% of broadcasting and television stations were transformed from the original county television stations. Most broadcasting and television stations (at the county level) in the main retransmit central, provincial and prefecture/city television stations' programmes during the day, although they include several hours of self-produced local news or old television series and movies daily (Media Practitioner A, personal communication, Beijing, 6 January 2007).

[89] Table 4.1 demonstrates that television stations and education television stations in China are chiefly comprised of television broadcasting institutions at the central/national and provincial levels. The broadcast programmes of most of these television stations and education television stations are produced by the stations themselves. Less than ten per cent of these broadcast programmes (e.g. entertainment, life and service programmes) are supplied by television programme production companies (Scholar B, personal communication, Beijing, 11 January 2007; Official A, personal communication, Jinan, 26 January 2007). Of the broadcasting and television stations, over 95.8 per cent were transformed from the original county television stations: no more than 4.2 per cent were transformed from prefecture/city or provincial television stations. Broadcasting and television stations (at the county level) mostly retransmit central, provincial and prefecture/city television stations' programmes during the day, although they include several hours of self-produced local news or old television series and movies daily (Media Practitioner A, personal communication, Beijing, 6 January 2007). Table 4.1 is a modified version of Hu, Li and Huang's Table 1 (2006, p.251).

54 prefecture/city level and 1,256 county level broadcasting and television stations) (Hu, Li and Huang, 2006).

TABLE 4.1 The distribution of television broadcasting institutions in China in 2004

Administrative levels	Television stations	Education television stations	Broadcasting and television stations
Central/National	1	1	0
Provincial	32	10	1
Prefecture/City	272	51	54
County	1	0	1256
Special	9	0	0
Total	315	62	1311

Source: statistics produced by the State Administration of Radio, Film and Television of the PRC, quoted in Hu, Li and Huang (2006, p.251)

Concomitant with the rapid decrease in the number of television stations, China's television conglomeration reform was steadily proceeding. In June 1999, the establishment of China's first broadcasting group (at the prefecture/city level) – Wuxi Broadcasting Group (WBG)[90] – heralded the start of a television conglomeration trial at the prefecture/city level. On the 27 December 2000, China's first media group at the provincial level – Golden Eagle Broadcasting System (i.e. Hunan Media Group) – was established, signalling that television conglomeration reform in China had formally and comprehensively commenced[91] (State Administration of Radio, Film and Television, 2004).

[90] In terms of *Views on Enhancing Regulations of Constructing Cable Networks of Radio and Television* (Document No. 82) issued by the Ministry of Information Industry of the PRC and the SARFT of the PRC in 1999, prefecture/city governments are not permitted to establish media groups, broadcasting corporations or broadcasting groups. However, Wuxi Broadcasting Group (WBG) is a particular case, being the first broadcasting group in China and the only one at prefecture/city level.

[91] During the five years from 1999 to 2004, more than twenty media groups, broadcasting corporations or broadcasting groups were established in China from the centre level to the prefecture/city level: the central level's China Media Group (CMG), provincial level's Shandong Broadcasting Corporation (SBC) and Shanghai Media and Entertainment Group (SMEG), and at the sub-provincial (or deputy-provincial) level the Nanjing Broadcasting Group (NBG) (State Administration of Radio, Film and Television, 2004).

However, while television conglomeration proceeded with marked rapidity, from 2004 on, the top executives of the government appear to have intentionally evaded discussing the issue in public. At the working conference addressing China's radio, film and television industry held in Boao (in Hainan province) between the 21st and 22nd of December 2004, Zhao Shi, the deputy director of the SARFT of the PRC suddenly announced that because of public potential to fail to identify the difference between (1) state-owned institutional media groups, broadcasting corporations or broadcasting groups with a political (or ideological) orientation, and (2) commercial (or privately-owned) media groups, broadcasting corporations or broadcasting groups, further establishment of state-owned institutional media groups, broadcasting corporations or broadcasting groups with political (or ideological) leanings would be forbidden. Only state-owned general radio or television stations with an institutional bent could be established[92].

In the case of the twenty plus state-owned institutional media groups, broadcasting corporations or broadcasting groups currently functioning at the time, the SARFT offered two choices: (1) change the original title to 'XX General Station of Radio and Television' (making it easier to distinguish the state-owned institutional quality of these media groups, broadcasting corporations or broadcasting groups) and separate the operation of the institutional sections and the operation of industrial (or commercial) sections inside

[92] The decision taken at the working conference addressing China's radio, film and television industry in Boao signalled the cessation of the five-year practice of China's television conglomeration reform. Here I will pose the following question: what exactly did conglomeration reform bring to China's television industry? As Lu (2002) argues, to date, no forceful evidence can prove the needs and benefits of television conglomeration reform driven by administrative (or political) forces except that the twenty plus media groups, broadcasting corporations or broadcasting groups engendered the exterior expansion of their scale and the enhancement of their monopoly over the regional television markets. It is suggesting too much to say that the cessation of China's television conglomeration – its entire five-year practice – was the result of perceived confusion between 'institutional groups/corporations' and 'industrial (or commercial) groups/corporations'.

state-owned general stations of radio and television; (2) keep the original title with the state-owned institutional quality of these media groups, broadcasting corporations or broadcasting groups as the antecedent condition, and separate the industrial (or commercial) sections from the state-owned general stations of radio and television, thereby founding individual industrial (or commercial) firms or groups. The two choices implied that the twenty plus media groups, broadcasting corporations or broadcasting groups would in future be confronted with a more complicated system of structural reform (Shi, 2004).

A Chinese researcher observed that the reform of China's television conglomeration was driven by (or the result of the mutual effect of) the following three factors: the internal factor of China's television industry, the external factor of China's television industry inside China, and the external factor of China's television industry outside China (i.e. the international external factor) (Scholar C, personal communication, Beijing, 12 January 2007). First, I will address the internal factor of China's television industry. Faced with increasing pressure and challenges from the market, political interest groups had to strengthen and not weaken their control over the television industry in order to maintain their vested interests. This was the fundamental factor for the political interest groups to further China's television conglomeration because conglomeration would prove an effective means of enhancing their monopoly of the television markets. Additionally, as regards actual status, most of China's television stations have relatively large scale but weak strength influence, consistent with the needs of the political interest groups to conglomerate or consolidate said radio and television stations. Thus establishing a 'Chinese mother ship' in the television industry is a direct factor of China's television conglomeration. Second, regard the external factor of China's television

industry inside China, compared with the television industry, other industries in China (e.g. the telecommunications industry, the aviation and energy industries) have experienced a wave of conglomeration or integration since the beginning of the 1990s. The establishment of many big group corporations or group enterprises such as ‘China Telecom Corporation’, ‘China Aviation Industry Corporation’ and ‘China Petrochemical Corporation’, greatly influenced the decision-makers and top executives of China’s television industry to establish their own group corporations or group enterprises. Last to be considered is the external factor of China’s television industry outside China (i.e. the international external factor). Globalisation has proved a severe test that China’s television has had to confront within the current international political and economic system and structure. Over the last decade of the 20th century, mergers, restructurings, integrations and concentration took place in the media industries of many European and North American countries. This shook the developing television industry in China to its very foundations. In an attempt to protect the long-term interests of the television industry, political interest groups had to respond to the various challenges arising out of globalisation by implementing television conglomeration reform in China in spite of the aforesaid conglomeration, the exterior administrative (or political) drive or the in-depth institutional arrangement (Scholar C, personal communication, Beijing, 12 January 2007).

Based on the above analysis, in some respects the television conglomeration reform in China has its rationality and inevitability. However, why is it not ongoing? Why was the reform program suddenly terminated after five years? The chief causes were the problems that have persisted in the process of China’s television conglomeration. According to Scholar C (personal communication, Beijing, 12 January 2007), these problems can be addressed as

follows: (1) first and foremost is the instrument of television conglomeration. In many western countries (notably in North America), television and other media industry conglomerations proceed mainly via markets or market behaviours. However China's television conglomeration reform is totally bureaucracy-led, i.e. all organisational restructurings, re-allocations of human and industrial resources, and consolidations or mergers in the television industry are completed according to (or guided by) administrative orders or government intervention; (2) second, is the occasion (or time) of television conglomeration. China's television conglomeration has frequently been described as a 'premature infant', the expedition of which is generated by the government via administrative forces subject to both internal and external pressures. In fact, many antecedent conditions of television conglomeration in China were not available at that time; even now, they are still not available. And despite the fact that the reform of television marketisation has proceeded since 1979, it is still neither mature nor complete. The impact of the reform of television ownership is yet to be felt, for to date all of the television stations in China remain stated-owned institutional units with political (or ideological) leanings. At the time of writing this thesis, no operational private or foreign-funded television station has been established in China; (3) third is the regulation approach of television conglomeration. The term 'deregulation' denotes the customary conglomeration regulation approach of television and other media industries in most western developed countries. This is chiefly because the phase of media reform in these countries has been gradually transferred from 'regulation of structure' to 'regulation of behaviour'. In contrast, television reform in China is still in the 'regulation of structure' phase, which means that the many problems, such as television ownership, that exist in the structure or the system of China's television industry have yet to be solved. The regulation approach of

television conglomeration in China is represented as a compellingly administrative 'regulation of structure'; (4) last is the pathway to television conglomeration. The European and North American nations tend to achieve conglomeration in media industries through various pathways such as acquisition, merger, diversification, strategic alliance and trans-nationalisation. However, there is only one pathway to television conglomeration in China and this pathway leads to merger or consolidation. The implication here is that it is possible for real strategic alliances in the Chinese television industry, as well as cross-region and/or cross-industry media groups or corporations in the entire media industry, to emerge under the current political and economic system and regulated policies of China [93] (Scholar C, personal communication, Beijing, 12 January 2007).

From all accounts, the failure of the television conglomeration practice in China is due variously to China's particular political and economic system, regulated policies, institutional structures and organisational arrangement. As suggested previously, China's television conglomeration reform is actually driven by (or the result of the mutual effect of) multiple forces. It is almost impossible to succeed if television conglomeration depends solely on one force, for example the administrative (or political) impulse from the government. As with any social transformation, the outcome of conglomeration – indeed the whole industrialisation of China's television industry – will be decided neither by own will nor by external forces but by the mutual combination of internal and external factors. It would thus seem that the present television system and structure in China[94] is held in the balance by various interest groups.

[93] Actually, the problems that exist in China's television conglomeration also emerge overall in China's television industrialisation, such as reform instruments, regulation approaches and reform pathways. A concentrated analysis and discussion concerning the problems that exist in the process of television development in China will appear in Chapter Six.

[94] Analysis of and discussion surrounding the present television system and structure in China and the problems that plague them will appear in Chapter Six.

Having to confront the increasing pressures and impacts of diverse forces such as markets and capital, these interest groups will adjust the proportion of different forces and the political and economic system and structure through the essential core of modern political behaviours. They will seek compromise in order to maintain their vested interests and keep a healthy balance. This process of compromise by various interest groups is actually a process of capitalisation and re-institutionalisation, i.e. the integration of political forces and capital forces, which means that political forces will continue their political control after capitalisation by virtue of capital forces' support. Contemporaneously, capital forces stand to gain more profit; for this reason, they will gradually become the primary power of television (or other media) restructuring by dint of political forces' protection and help (Scholar C, personal communication, Beijing, 12 January 2007)[95].

4.1.2.3 The Phase of Post-conglomeration (2005 to the present)

Having weathered the failure of conglomeration, China's television industrialisation has now moved into the phase of post-conglomeration, which has two obvious features: First, the government reiterates its absolute control over radio frequencies and television channels and explicitly sets forth the restrictions for foreign capital entering into China's television industry. Yin (2006) states that in 2005, on many formal or informal occasions, the SARFT of the PRC consistently emphasised that since radio frequencies and television channels are monopolistic resources exclusively owned by the nation or the government, they cannot be traded, rented to, or contracted with any enterprises, firms or individuals. The ownership of frequencies and channels, the right to dominate and use state-owned assets in the television industry, and the

[95] Conglomeration in China's television industry will be analysed and discussed further in Chapters Six and Seven.

censoring and broadcasting of television programmes must be controlled by state-owned radio or television stations[9697]; Second, and on the other side of the coin, the government is gradually deregulating the entry of private capital into China's television industry[98].

On the basis of the above, it may be concluded that the radio frequencies and television channels in China are still controlled solely by the government, at present at least, for professed reasons of national security, protection of native radio and television industries, and China's strong if somewhat unfathomable attitude towards foreign capital. Although in the short term it is deemed impractical for foreign capital to enter into China's television industry, the government seems to have changed its attitude towards Chinese private capital. From the

[96] As I have suggested previously, ownership of China's radio and television stations has had only one form, i.e. state-owned ownership. At present, all radio and television stations in China belong to either the nation or the government.

[97] In August 2005, the five ministries or administrations of the State Council of the PRC, including the Ministry of Culture and the SARFT, promulgated *Views on Introducing Foreign Capital into Cultural Fields*, a document which explicitly stipulates: (1) the forbidding of foreign capital investment, the establishment or running of any radio or television broadcasting institutions (e.g. radio stations, television stations and broadcasting and television stations), radio and television transmission networks, radio and television production and broadcasting firms, film production firms, film imports, exports and distribution firms or enterprises, and video screening firms; (2) the forbidding of foreign capital investment in the Internet or other information networks thereby using them to broadcast radio or television programmes; (3) the forbidding of foreign capital investment in radio frequencies, television channels and any other communication areas of any form; (4) the forbidding of radio and television broadcasting institutions (e.g. radio stations, television stations and broadcasting and television stations) in mainland China from renting frequencies or channels to institutions, enterprises, firms or individuals outside of mainland China (including Hong Kong, Macau, Taiwan and all foreign nations), and from cooperatively operating or managing frequencies or channels with the aforementioned agencies; and (5) the forbidding of radio and television broadcasting institutions (e.g. radio stations, television stations and broadcasting and television stations) in mainland China from entering into joint ventures or cooperatively producing and broadcasting programmes with institutions, enterprises, firms or individuals outside mainland China (including Hong Kong, Macau, Taiwan and all foreign nations) (Yin, 2006). In terms of the above, the *Views* actually represent the government's firm commitment to exercising absolute control over all radio frequencies and television channels' resources, and the government's cautious and unremittingly conservative attitude vis-a-vis foreign capital entering into China's television industry.

[98] In August 2005 the State Council of the PRC issued a further document – *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industries. Regulations* require: (1) the government to encourage non state-owned (or non public-owned) capital (excluding foreign capital), i.e. private capital investment in the production and distribution of films and television series, the improvement and innovation of media technology, and the operation and management of cinemas or cinema unions in urban areas and film screenings in rural areas; (2) that state-owned capital represents no less than 51 per cent of the entire investment, and that non state-owned (or non public-owned) capital (excluding foreign capital), i.e. private capital is permitted to invest and share in the production of programmes that exclude political (or ideological) items, e.g. news (that are strictly controlled by the Chinese government but excluding entertainment news) and socially sensitive topics like religion, focusing instead on entertainment, sports, natural sciences, technology and selected cultural programmes, to establish and run cable television networks, and to participate in the digitalisation of cable television networks (Yin, 2006). In addition, in order to stimulate the progress of China's television series industry and complete its marketisation reform, the SARFT of the PRC decided to abolish its original censorship of television series scripts. The new regulation, operative from 1st May 2006, only requires television series producers to report details of the scripts to the relevant government administrations, excluding television series that portray sensitive histories and topics and television series' produced cooperatively with foreign capital (Scholar D, personal communication, Jinan, 18 December 2006). This means that the ramparts of China's private capital investment in China's radio, film and television industries are gradually being broken down following years of discussion and exploration.

perspective of policy, restrictions on private capital have been gradually relaxed. And although the promotion of digital cable television (DCT) in China, which commenced in 2001, could boast approximately 3.97 million DCT users by the end of 2005 (State Administration of Radio, Film and Television, 2006), the number of users still fails to meet the expectations of the government. The actual state of China's television industry today, including the development of digital television, will be introduced in the next section of this chapter.

4.2 The Actual Situation of the Television Industry in China

As an important component of media industries, China's television industry cannot progress unless it is in tandem with China's economic circumstances, i.e. the country's rapid economic growth. In this section, I first introduce some necessary information and statistics regarding the current external status of the macro-economy and television industry development in China. Then, focus is on the actual situation of the television industry in China. To this end, I provide an overview of China's television industry today, along with an analysis of the respective development statuses of CCTV, the provincial satellite television stations/channels, provincial non-satellite (terrestrial and cable) television stations/channels, prefecture/city television stations/channels and other television stations/channels. As well I provide an overview of the development and actual situation of digital television in China.

4.2.1 The Current External Status of the Macro-economy and Television Industry Development in China

The statistics produced by the National Bureau of Statistics of China (NBSC) show that since 2001, economic growth in China has gradually gained momentum. The annual gross domestic

product (GDP) growth rate increased from 8.3% in 2001 to 10.7% in 2006. China's GDP reached 20,940.7 billion Chinese yuan (approx. USD 2,785.571 billion) in 2006, exceeding Italy, French and the U.K. and occupying fourth place in the world (National Bureau of Statistics of China, 2005; National Bureau of Statistics of China, 2006; National Bureau of Statistics of China, 2007). In 2003, China's GDP per capita exceeded 1,000 U.S. dollars for the first time. Three years later, in 2006, China's GDP per capita reached 2,000 U.S. dollars. Thus Chinese economic development has proved to be continuous and rapidly growing, demonstrating that China's economy and society is entering a new phase (L.Z. Wang, 2006; National Bureau of Statistics of China, 2007). The quick rise of China's GDP per capita and the accompanying changes in the Chinese people's consumption habits and behavioural patterns have stimulated the rapid development of media industries including the television industry. Along with the rise in income and with growing demands for information and entertainment, increasingly Chinese audiences are seeking high quality television productions and diversified television services. This, on the one hand, has underpinned the progress of the traditional television industry; on the other hand, it has accelerated the promotion of digital television, pay television and Internet television (e.g. IPTV).

Despite the fact that the total volume of China's television industry rose rapidly in these years, the scale of the television industry in China continues to be much smaller than that of the television industry in the developed countries. According to statistics produced by Price Waterhouse Coopers (PWC) and ACNielsen, the economic aggregates of the television industry in the U.S., the U.K., Germany and France were 138.52 billion U.S. dollars, 7.85

billion British pounds (approx. USD 16.066 billion[99]), 12.68 billion Euros (approx. USD 18.084 billion[100]) and 6.234 Euros (approx. USD 8.891 billion) respectively (Z. Zhang, 2006). By contrast, according to statistics produced by the Center for Media Operation and Management (CMOM), Tsinghua University, the economic aggregate of China's television industry in 2004 was a mere 43.651 billion Chinese yuan (approx. USD 5.807 billion), which was 65.31 per cent of the French, 36.14 per cent of the British, 32.11 per cent of the German and 4.19 per cent of the American total volume of television industry. Although China has emerged as one of the largest economic powerhouses in the world, the scale of its television industry is not strong: it only occupies a relatively small proportion of its entire economic aggregate (i.e. GDP). China's television industry still has considerable room for development: it is viewed as the last rising industry in China. In the next section, I introduce the actual situation of the television industry in China, drawing on relevant statistics and figures.

4.2.2 The Actual Situation of the Television Industry in China

As suggested in the content of section 4.1 'The Development of Television Industry in China', there are no essential differences between the ownership and the basic operation pattern of all of China's television broadcasting institutions (including television stations, education television stations and broadcasting and television stations at the central/national, provincial, prefecture/city or county levels). However, some changes have occurred inside the television industry concomitant with the country's rapid economic growth, in-depth reform and opening up, as well as with the transformation of society in China. Several volumes need to be written

[99] According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the British pound (GBP) on 30th September 2007 was 1:0.48860, which is regarded as the only exchange rate between USD and GBP in this chapter.
[100] According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the Euro (EUR) on 30th September 2007 was 1:0.70117, which is regarded as the only exchange rate between USD and EUR in this chapter.

if the current status of China's television industry is to be comprehensively analysed. The limitations of time and space make this impractical in a PhD thesis. Therefore, in this section, I place emphasis on an analysis of the parts closely related to the research concerns of this thesis, drawing on valuable statistics and figures. Included also is an overview of China's television industry today, an analysis of the respective development situations of CCTV, provincial satellite, provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels, and an overview of the development and actual situation of digital television in China.

4.2.2.1 An Overview of China's Television Industry Today

After fifty years of development since 1958, television has become the most influential media in China. According to 'The General Situation of Development of China's Radio, Film and Television in 2005' (State Administration of Radio, Film and Television, 2006), 'Innovation and Transition – 2006 Chinese Media Industry Development Final Report' (Cui, Lu and Li, 2006) and 'Development of China's Television Industry in 2005' (W.B. Wang, 2006), by the end of 2005 the television viewing population in China had reached 95.81 per cent of the overall population. In 2005, China had 1.238 billion television viewers, 2,284 television broadcasting institutions consisting of 302 television stations, 50 education television stations and 1,932 broadcasting and television stations, 1,227 analog television channels and 12.5916 million hours of television broadcasting. The gross revenue from television advertising in 2005 was 40.653 billion Chinese yuan (approx. USD 5.408 billion), with an annual rise of 15.84 per cent, which allowed television advertising to continually maintain the top position of advertising revenue in media industries in China. By the end of 2005, China had 128.42

million cable television users[101] (124.45 million analog cable television (ACT) users and 3.97 million digital cable television (DCT) users). The ACT users paid 15.956 billion Chinese yuan (approx. USD 2.122 billion) in total to watch television. Each ACT user paid on average 10.68 Chinese yuan (approx. USD 1.42)[102] per month. Out of the 3.97 million digital cable television (DCT) users, there were 2.71 million non-pay DCT users and 1.26 million pay DCT users. The amount of pay DCT users did not reach one third of the total DCT users and the revenue generated by pay DCT in China reached 327 million Chinese yuan (approx. USD 43.4982 million) only[103].

In the next section, focus is on the five Figures presented in an attempt to ascertain details of the actual situation of television industry in China, i.e. the respective development situations of the five different types of channels.

4.2.2.2 The Respective Development Situations of CCTV, Provincial Satellite, Provincial Non-satellite (Terrestrial and Cable), Prefecture/City and Other Television

[101] In China, most cable television users live in the urban areas. According to Yang and Zhou (2006), in 2005, approximate 77.6 per cent of urban residents joined the local cable network and received about sixty cable television channels on average. However, the penetration rate of cable television in the entire China was not high. By the end of 2005, there were still 81.1 per cent of television audiences in China, who could only receive around six terrestrial television channels including CCTV-1, CCTV-2, two local provincial terrestrial television channels and one to two local prefecture/city terrestrial television channels (audiences living in some counties can receive one extra local county terrestrial television channel). The 81.1 per cent television audiences, who could only receive approximately six terrestrial television channels, mostly lived in the rural or remote mountainous areas of China.

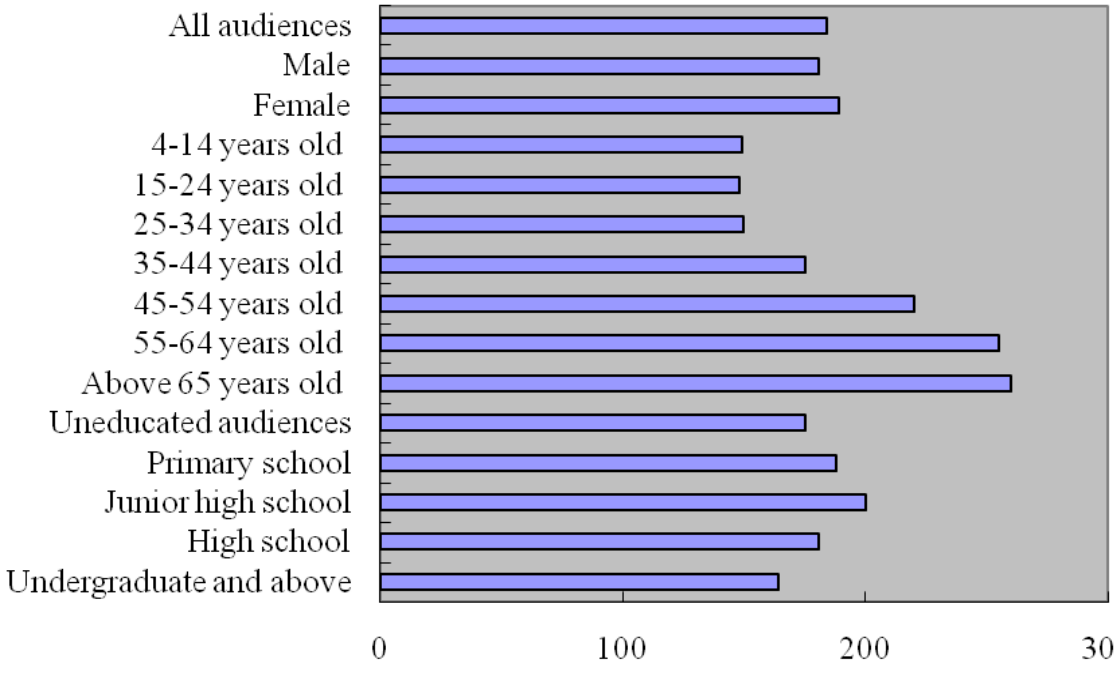
[102] In fact, the 10.68 Chinese yuan (approx. USD 1.42) per month paid by Chinese ACT users cannot be regarded as the general meaning's subscription in western countries. This is chiefly because: first, the amount of this charge is too small to be used for purchasing equipment, producing programmes and paying staff salaries. It is mainly used for constructing and maintaining networks; second, compared with China's GDP per capita of 1,700 U.S. dollars in 2005, the approximate 1.42 U.S. dollars per month cable television charge in some ways can be seen as free. Therefore, this 10.68 Chinese yuan (approx. USD 1.42) charge should be considered as cable television network rent or a maintenance fee rather than a subscription.

[103] In recent years, China's television series market has grown very rapidly. In terms of the statistics produced by the SARFT, 125 television series production institutions, enterprises or companies in China produced 976 television series (15,801 episodes) in 2005, an increase of 110 television series over the 2004 figure (H.Z. Zhang, 2006). Furthermore, television series had become the top level trading goods in China's television trading market. For example, at the 11th Shanghai Television Festival in 2005, television series made up 67.67 per cent of trading content. At the 2005 China International Film and Television Programs Exhibition, 95 per cent of trading was television series business (2006). When the SARFT abolished the censorship of television series scripts on 1 May 2006, the marketisation degree of China's television series market was further enhanced, with positive effects for the reform process of marketisation and industrialisation of China's television industry.

Stations/Channels

Figure 4.2 shows the distribution of the volume of China's television viewing audiences in 2005. According to the statistics produced by CVSC-SOFERES MEDIA (CSM), as shown in Figure 4.2[104], in 2005 the daily average time of viewing was 184 minutes. Television viewers over 65 years of age spent the longest time watching television each day. In addition, the length of viewing time is influenced by educational level. Viewers who only have junior high school education spend the longest time watching television each day, that is, 200 minutes. By contrast, audiences who have reached undergraduate or above education levels spend the shortest time watching television each day (Zeng, 2006).

FIGURE 4.2 The distribution of the length of viewing time in 2005

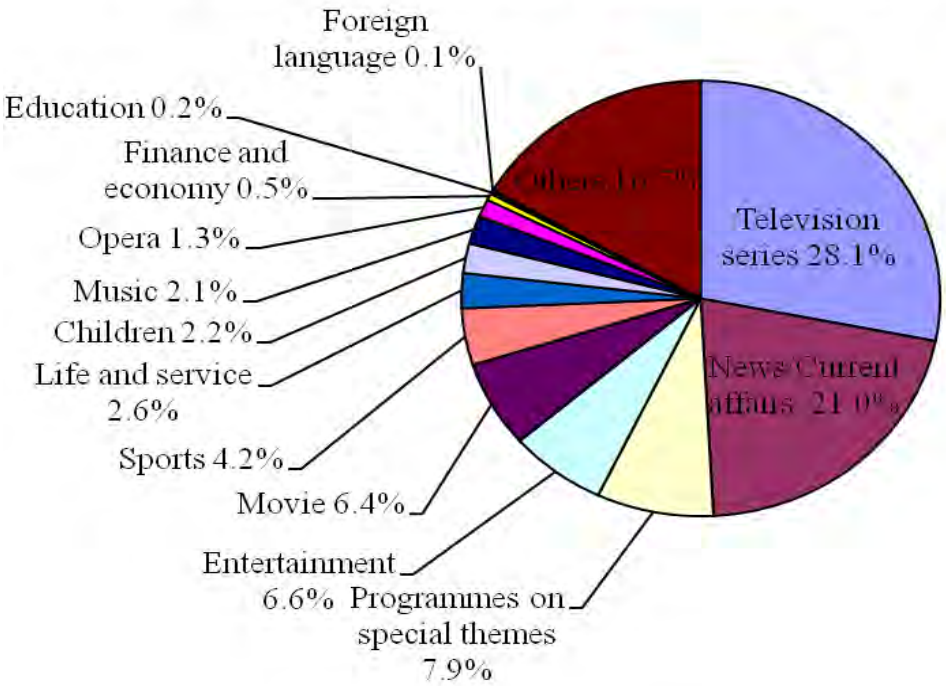


Source: statistics produced by CVSC-SOFERES MEDIA (CSM), quoted in Zeng (2006, p.90)

[104] The differences in the length of diverse audience groups' viewing time to some extent influences the content, orientation and value of China's television programmes. This is because many television productions are made based on the gender, age, educational levels and predilections of particular audience groups in order to attract more audiences and raise audience rates, thereby gaining more (advertising) profit. Figure 4.2 indicates that viewers who spend the longest time watching television, as well as being members of the chief television audience groups in China, are people over 45 years of age who have only junior high school or below education level. Hence, the choices of these viewers to a great extent effect and decide the content, orientation and value of most of China's television programmes at a macro level.

In light of the statistics produced by CSM, as shown in Figure 4.3, in 2005, television series, news/current affairs programmes, programmes with special themes, entertainment programmes, movies, and sports programmes were the primary types of television production in China, occupying approximately three quarters of the television audience market share[105]. Among these, television series have the largest television audience market share of 28.1 per cent. Next are the news/current affairs programmes occupying 21 per cent (Zeng, 2006). More content in respect of the characteristics of China's television audiences and the impact of these characteristics on television development in China will be discussed in Chapter Six.

FIGURE 4.3 The distribution of televison audiences market share of different types of television productions in China in 2005

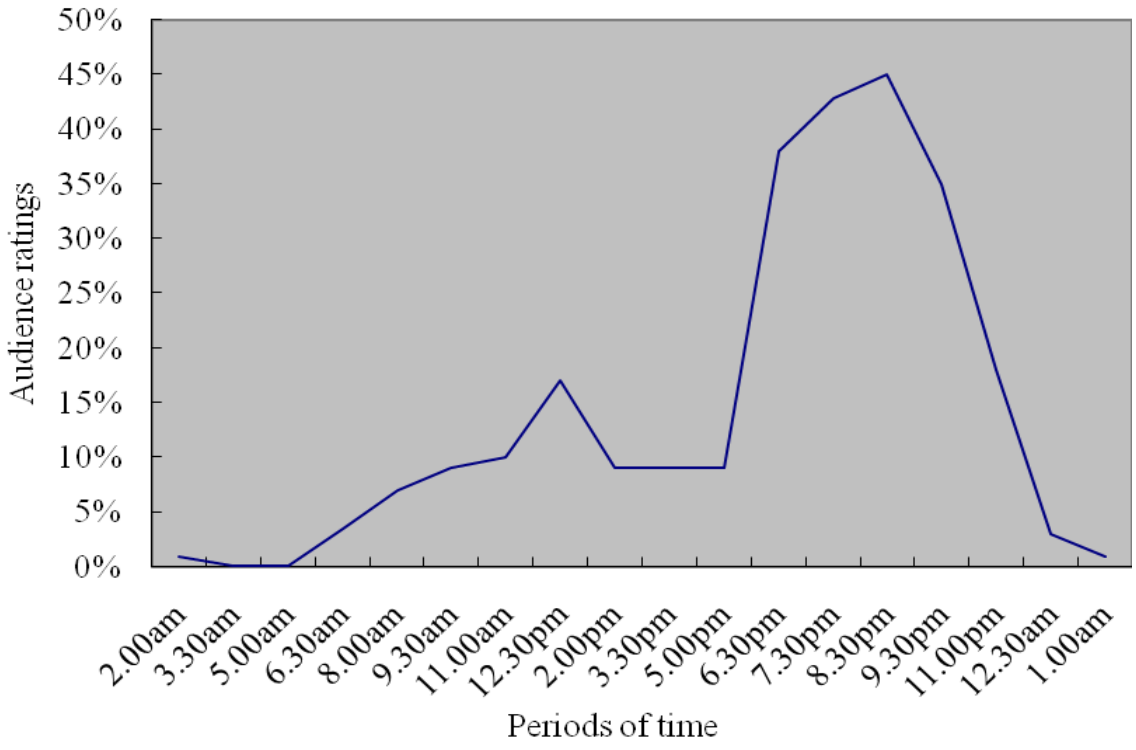


Source: statistics produced by CVSC-SOFERES MEDIA (CSM), quoted in Zeng (2006, p.92)

[105] The television audience market share shows an overall audience rating of a television station, a television channel or a type of television programme on a given television market. It also reflects the status or the whole strength of this television station, television channel or type of television programme on a given television market (Zeng, 2006).

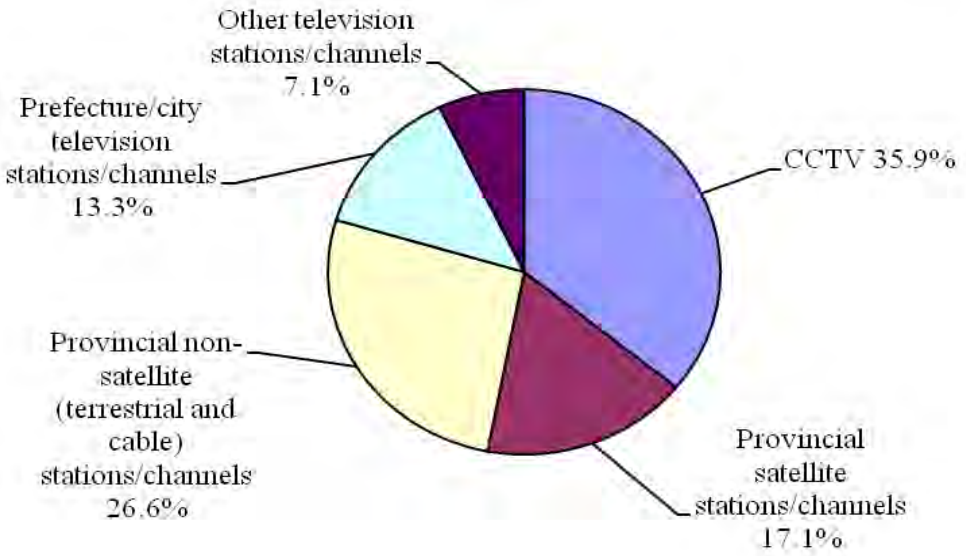
I will now table the distribution of Chinese audience ratings in different periods of time. In terms of the statistics produced by CSM, as shown in Figure 4.4, in 24 hours the prime time of audience ratings is from 7 p.m. to 9 p.m. The audience rating increase starts around 5 p.m. and reaches a peak around 8.30 p.m. From 12.30 a.m. to 6.30 a.m., the audience rating is at its lowest level of the day. The audience rating at noon is higher than in the morning and afternoon (Zeng, 2006).

FIGURE 4.4 The distribution of audience ratings in different periods of time in China in 2005



Source: statistics produced by CVSC-SOFERES MEDIA (CSM), quoted in Zeng (2006, p.90)

FIGURE 4.5 The distinction of television audience market shares occupied by different administrative level's television stations/channels in China in 2005



Source: statistics produced by CVSC-SOFERES MEDIA (CSM), quoted in Zeng (2006, p.95)

Actually, the dissimilar distribution of audience ratings in different periods of time and the distinction of television audience market shares occupied by different administrative level's television stations/channels in China (as shown in Figure 4.5) have become an important inducement for the rapid increase of advertising price during prime time on the few television stations/channels which attract a relatively high audience market share, e.g. CCTV's and most provincial satellite stations/channels[106]. In order to realise the best advertising effect, advertisers opt to buy expensive television advertisement slots during prime time on television stations/channels with a high audience market share. Due to the huge temptation to

[106] According to Cui (2006), there were 1,227 analog television channels in China in 2005. Of these, 16 belonged to CCTV and 37 were provincial satellite channels. Here, a few television stations/channels, which occupy a relatively high audience market share, denote CCTV's 16 analog channels and most provincial satellite channels, except for a couple of channels with low audience market shares in the northwest provinces or autonomous regions of China (e.g. Gansu, Qinghai and Ningxia), which account for less than 5 per cent of all China's analog television channels. Similarly, in this chapter, 'most provincial satellite channels' means China's provincial satellite channels, except for a couple of channels with low audience market shares in the northwest provinces or autonomous regions of China (e.g. Gansu, Qinghai and Ningxia).

maximise and increasing competitive pressure, many of these television stations/channels on the one hand gradually raised their advertising price; on the other, they inappropriately increased advertising broadcasting proportions of unit broadcast time[107]. However, for most television stations/channels which occupy a relatively low audience market share, e.g. most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels[108], their advertisements, whether screened during prime time or outside of peak viewing hours, are quite hard to sell even thought they may be inexpensive. In order to survive, these television stations/channels have to broadcast excessive numbers of infomercials[109] in the morning, afternoon and around midnight. This results in a few television stations/channels (i.e. CCTV and most provincial satellite stations/channels) continually raising their advertising incomes by virtue of their relatively high audience market shares. The increased advertising income is used to enhance programme quality, enrich programme content, and to purchase more high quality television series, thus further enlarging the television audience market share. The result is that the audience market shares of these television stations/channels become increasingly high; conversely, most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels have insufficient money to produce high quality programmes or purchase popular television series. This is due to the lack of commercial advertising caused by a relatively low audience market

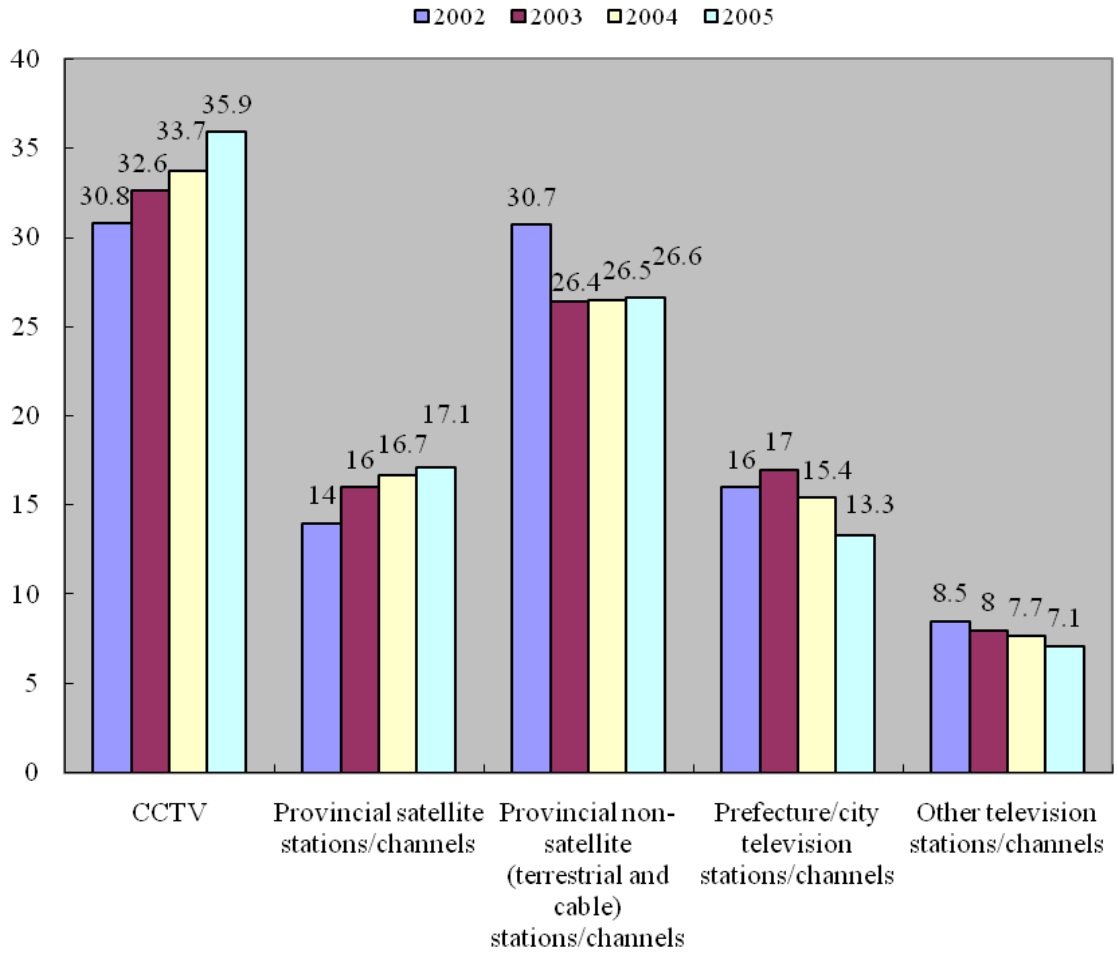
[107] According to *Temporary Provisions of the Broadcasting and Administration of Radio and Television Advertising* (The 17th Decree) issued by the SARFT in September 2003, the advertising broadcasting length per day cannot exceed 20 per cent of the daily total television broadcast time: on average it cannot exceed 12 minutes per hour. In addition, during prime time (7 p.m. – 9 p.m.), the advertising broadcasting length cannot exceed 9 minutes per hour (Yuan, 2005). However, it is fact that many television stations/channels fail to abide by the above provisions because of the huge temptation of profit and increasing competitive pressure (Media Practitioner B, personal communication, Jinan, 31 December 2006).

[108] 'Most television stations/channels which occupy a relatively low audience market share' refers to most provincial non-satellite (terrestrial and cable) stations/channels, prefecture/city stations/channels and other television stations/channels (e.g. education television stations and broadcasting and television stations), which constitute more than 95 per cent of all China's analog television channels.

[109] Infomercials are television commercials that run as long as a typical television programme and always relate closely to the product or service offered. Usually, they are presented to look like the long commercial television advertisements, or sometimes like documentaries. Infomercials are normally shown outside of peak hours, such as daytime or late night (generally 2 a.m. to 6 a.m.). Some television stations air this type of programming as an alternative to the former practice of sign-off (Zhong, 2003; Levinson, 1989).

share. In these circumstances, television stations/channels have to broadcast excessive numbers of infomercials to survive, which increasingly lowers their audience market share[110]. Figure 4.6, below, produced by CSM, clearly displays the changes in television audience market shares occupied by different administrative level's television stations/channels in China from 2002 to 2005.

FIGURE 4.6 The changes in television audience market shares occupied by different administrative level's television stations/channels in China from 2002 to 2005



Source: statistics produced by CVSC-SOFERES MEDIA (CSM), quoted in Zeng (2006, p.91)

[110] In order to survive and compete with CCTV and provincial satellite stations/channels, a new form of 'networked' alliance called the 'Advertising Association of Provincial TV Stations' came into being in 2002. This alliance enabled twenty-nine provincial non-satellite (terrestrial and cable) television stations/channels to air the same commercials during the evening segment of CCTV's National News Broadcast, starting on January 12, 2004 (Wang, 2005). "This strategic move offered Chinese corporate clients an alternative to the CCTV" (p.17). However, as a result, CCTV's (and most provincial satellite stations/channels') monopoly of prime time (or even outside of peak viewing hours) television advertising revenue failed to be broken.

Figure 4.6 shows the degree to which CCTV's audience market share grew between 2002 and 2005, reaching 35.9 per cent by 2005. The audience market share of provincial satellite stations/channels gradually rose during the four year period 2002 – 2005, reaching 17.1 per cent by 2005. While the audience market share of CCTV and provincial satellite stations/channels is increasing, in contrast, the audience market share of provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels is declining year by year. By the end of 2005, the audience market share of provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels had dropped pad to 26.6 per cent, 13.3 per cent and 7.1 per cent respectively (Zeng, 2006). Thus it can be seen that in 2005, less than 5 per cent of China's television stations/channels, i.e. CCTV's 16 analog channels and 37 provincial satellite channels, occupied 53 per cent of television audience market share in China and more than 95 per cent of China's television stations/channels, i.e. 1,174 provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels occupied 47 per cent of television audience market share (Cui, 2006).

But what are the reasons that underpin (a) the widening gap of television audience market share occupied by different administrative level's television stations/channels in China, (b) the progressively rising strength of CCTV and most provincial satellite stations/channels in China's television market, and (c) the gradually shrinking survival spaces of most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels? These reasons will be analysed and discussed in Chapter Six. In the next section, focus is

upon an important part of the process of China's television industry development, that is, the development and actual situation of digital television in China.

4.2.2.3 An Overview of the Development and Actual Situation of Digital Television in China

Digital television (DTV), a significant representative feature of the information technology applied in media areas as recently as a couple of decades ago, is considered an important strategic technology as well as the future of television development in the information era. DTV is not only a transformation in the field of media technology: the most important aspects of DTV are that it provides a brand new digital platform for any or all forms of digital broadcasting, endows television and the Internet with equal status in the information society[111], and has induced a profound transformation of the entire television industry chain (Huang, Zhou and Song, 2002). Along with the rapid development of the economy, politics and society in China, and the rapid development of in-depth television industrialisation, more attention than ever is being paid to the development of DTV. Promoting and generalising DTV has become an important reform approach of China's television industrialisation. To a great extent, the development of DTV (especially the technological aspects) drives the reform process of the television industry in China[112]. In this section, I will first present some relevant concepts of DTV, then look at the development process of DTV in China. Finally, I will present a concise analysis of the actual situation of China's DTV today.

[111] Here, 'endows television and the Internet with equal status in the information society' means combining the functions of television and the Internet via digital technologies in order to extend the functions and services of traditional analog television, e.g. interactive features and video on demand (VOD) services, thereby giving lie to the prediction that 'television will be substituted by personal computer (PC) soon'.

[112] More content pertaining to DTV's influences and progress towards China's television industrialisation (notably the integration of cable television networks, the reforming pattern of television industrialisation and the future development model of television industry in China) will be addressed on in Chapters Six and Seven.

(1) The Relevant Concepts of DTV

Digital Television (DTV) is a telecommunication system for broadcasting and receiving audio and video in computerised format, ones and zeros (digital signals in contrast to analog signals). By using digitally compressed modulation data, DTV programmes can only be watched after the decoding of the digital signal by a specially designed television set, a standard receiver with a set-top box, or a PC fitted with a television card[113] (Fischer, 2003; Huang, Zhou and Song, 2002; Pavlik, 2003). Currently, DTV systems transmit data mainly using three platforms or approaches: satellite (direct broadcast satellite (DBS))[114], cable television networks (digital cable television (DCT)) and microwave (digital terrestrial television (DTT)) (2003; 2002; 2003).

A set of unified DTV standards is important for the development of DTV. To date, there is no set of international unified DTV standards because of the different development levels of politics, economy, culture and technology in the different countries or regions. Currently, there are three primary sets of DTV standards in the world: Digital Video Broadcasting (DVB)[115] standards or systems, which have been mainly adopted by most European nations and other countries around the world; ATSC Standards[116], which are chiefly used in the U.S.,

[113] DTV includes three levels of definitions: low-definition television (LDTV), standard-definition television (SDTV) and high-definition television (HDTV). Compared with traditional analog television, DTV may supply more characteristic services such as an electronic programme guide (EPG) or interactive programme guide (IPG), enhanced broadcasting, video on demand (VOD), and time-shifting.

[114] The term 'direct broadcast satellite' (DBS) covers analog television, digital television, and radio. It is also extended to other services provided by modern digital television systems such as interactive features and video on demand (VOD) (Huang, Zhou and Song, 2002). The term DBS in this thesis chiefly refers to the digital satellite services involving the transmission of DTV and the relevant extended services.

[115] Digital Video Broadcasting (DVB) is a set of internationally accepted open standards for digital television. DVB (standards or systems) distribute data using a variety of approaches, including by satellite (DVB-S, DVB-S2 and DVB-SH; also DVB-SMATV for distribution via SMATV); digital cable television (DVB-C); digital terrestrial television (DVB-T) and digital terrestrial television for handhelds (DVB-H); and via microwave using DTT (DVB-MT), the MMDS (DVB-MC), and/or MVDS standards (DVB-MS) (Fischer, 2003; Bruin, 1999).

[116] According to the National Association of Broadcasters (2005), ATSC Standards "for the Advanced Television Systems

Canada, many South American countries, including Argentina, Honduras and Mexico, and South Korea and Taiwan; and Integrated Serviced Digital Broadcasting (ISDB)[117] standards, which are primarily applied in Japan. Among these, DVB standards or systems are currently the most world-wide broadcast DTV standards to be adopted. Besides most European nations, DVB standards or systems have also been adopted by over 200 television stations in approximately 30 countries (Huang, Zhou and Song, 2002; Pavlik, 2003). In China, DCT, promoted since 2001, is using DVB-C of DVB (standards or systems): the scheduled DBS will adopt DVB-S of DVB (standards or systems) and DTT (mainly the field of digital mobile television[118]) was basically applied DVB-T of DVB (standards or systems) before 1 August 2007. In spite of this, DMB-TH was approved as the unified DTT (excluding DCT and DBS) standard in China on 18 August 2006 and was mandatorily implemented on 1 August 2007 (Pan, 2007).

(2) The Development Process of DTV in China

The initial exploration and research relevant to digital technology as it applies to television throughout the world today began in the 1980s. In the mid and late 1990s, along with the gradual maturation of the technology of digital television, DTV developed rapidly in many western countries, especially in the U.K. and the U.S., and in Japan[119] (Huang, Zhou and

Committee, which developed the standards for DTV used in the United States (as well as in Canada, Mexico, and Korea), the principle standards comprise ATSC documents A/53 for digital television and A/52 for AC-3 audio compression. These standards were adopted (with the exception of the video formats table) by the FCC in 1996" (p.231). ATSC will replace the analog NTSC television system by February 17, 2009 in the United States (2005).

[117] Integrated Services Digital Broadcasting (ISDB) is the digital television (DTV) and digital radio format that Japan has created to allow radio and television stations there to convert to digital. NHK proposed the goal of offering ISDB by the year 2007. "Until that time, MUSE Hi-Vision would remain the system of choice for HDTV. ISDB would permit enhancements to existing services in two main areas: (a) interactive video and (b) 3-D and virtual reality video" (Hart, 2003, p.201).

[118] Digital mobile television (DMT) is television service delivered to subscribers via mobile telecommunications networks, such as mobile phone television, vehicle television (i.e. television installed in buses, taxies, private cars, undergrounds and trains) and building television (i.e. television installed in the public areas of office buildings, hotels, hospitals and shopping malls, e.g. toilets and lifts) (Kumar, 2007).

[119] The three television platforms, terrestrial TV, cable TV and satellite TV, developed at a comparatively equal pace in these three nations in the analog television age, but the rate of development has altered in the digital television era. The U.K. pays

Song, 2002; Weber, 2005). Exploration and research into DTV in China commenced in the 1980s, around the same time as the western countries. However, DTV was not comprehensively promoted in China until 2003, suggesting that the development of China's DTV lags far behind development in western nations such as the U.K. and the U.S., and in Japan. Over the past twenty years, DTV development in China has experienced four stages comprising (a) the naissance stage (1980s-1994); (b) the stagnation stage (1995-2000); (c) the starting stage (2001-2002); and (d) the comprehensive promotion and generalisation stage (2003 to the present) (Huang, Wang and Zhou, 2005).

(a) *Naissance stage* (1980s-1994): At the same time as Europe and North America were exploring and studying how to apply digital technology in broadcasting areas in the 1980s, China became aware of the importance of research and development vis-a-vis digital broadcasting, and duly sent an investigation team abroad to study advanced technologies. During this period, the development emphasis on China's DTV was the study of high definition television (HDTV). The State Science and Technology Committee of China (SSTCC) assembled an expert panel to be responsible for HDTV research projects (Huang, Wang and Zhou, 2005).

(b) *Stagnation stage* (1995-2000): During this stage of development, China's DTV in fact stagnated due to problems including DTV standards[120] and DTV network integration,

more attention to the advancement of its direct broadcast satellite (DBS) and digital terrestrial television (DTT). The U.S. emphasises particularly the development of DBS and digital cable television (DCT), while Japan's chief focus is on the promotion and penetration of DBS and the relatively later launch of its DTV(Huang, Zhou and Song, 2002; Weber, 2005).

[120] DMB-TH (standard) was mandatorily implemented as the unified DTT (excluding DCT and DBS) standard in China on 1 August 2007 (Pan, 2007). However, the effect and performance of DMB-TH (standard) implementation in China needs to be scrutinised. No authoritative statistics reflect the effect and performance of DMB-TH (standard) implementation in China prior to February 2008.

problems that still persist today and continue to retard DTV development in China. Despite the fact that the Chinese government has attached considerable importance to DTV development, comprehensive promotion of DTV in China continues to fail to be implemented. The keystone of DTV development at this stage focuses only on research into DTV standards and on debates concerning DTV network integration.

(c) *Starting stage* (2001-2002): In the first two years of the new century, some Chinese local television broadcasters commenced experimental DCT broadcasts and actively participated in the commercial operation of DCT. In April 2001, China's first commercial DCT screening was formally launched by Suzhou Cable Television Network Company (SCTNC). This symbolised DTV development in China which was entering the starting stage. Following upon SCTNC, DCT was screened in Shandong province, being formally launched in May 2001. Wuxi started its formal commercial DCT transmission in January 2002. In February of the same year, the formal commercial operation of DCT was successively launched in Guangzhou, Nanjing and Changsha. However, although DCT transmission in some of China's provinces and cities was formally launched during these two years, it was only concentrated in regions with relatively developed economies, not country-wide. In the starting stage, China's DTV development was limited to the DCT field. The development of DTT and DBS was not part of the agenda. China's DTV transmission at this stage had four obvious insufficiencies. First, there were insufficient channels to transmit China's DTV and not enough programmes to meet audience demand. Second, the relevant services of DTV transmission in China were low-level, somewhat basic and unimpressive. Third, many aspects of China's DTV technology had still not completely matured. And finally, most commercial

DTV transmission in China operated at a loss because at that time DTV transmission was either free or charges were minimal (Huang, Wang and Zhou, 2005).

(d) *Comprehensive promotion and generalisation stage* (2003 to the present): In 2003, China's DTV development entered the comprehensive promotion and generalisation stage, symbolised by decisions taken at a working meeting of the State Administration of Radio, Film and Television (SARFT). At this working meeting in July 2003, the SARFT decided to comprehensively promote and generalise DTV in China. Based on the relevant trials and experience of DCT transmission in certain of China's provinces and cities in 2001 and 2002, the SARFT presented four different DCT promotion patterns consisting of the Suzhou, Qingdao, Foshan and Hangzhou patterns as paradigms of the future comprehensive development of DCT in China. This required the four municipalities directly under the central government and two thirds of sub-provincial cities (including provincial capital cities and cities under direct planning by the state) to learn and conform to these paradigms, thereby achieving the comprehensive promotion and generalisation of DCT (i.e. to digitise their original analog cable television systems and networks) by 2004. The SARFT also optimistically set down a further goal, that of China's DCT users reaching thirty million by the end of 2005 (Huang, Wang and Zhou, 2005; Weber, 2005). As well, the SARFT approved a timeline of comprehensive promotion and generalisation of DCT in China and a 'three-step strategy' for China's DTV development.

At this stage, DTV (mainly DCT) developed rapidly in most provinces and major cities in China under the active jurisdiction of the central government. During the process of DTV

(mainly DCT) development, four different DCT promotion patterns emerged with their respective strengths and weaknesses. What exactly were the four different DCT promotion patterns? What were the promoters' original expectations vis-a-vis China's DTV development (the timeline of comprehensive promotion and generalisation of DCT in China and the 'three-step strategy' of China's DTV development)? Did the development of DTV in China meet the expectations of its promoters after 5 years of practice since 2003? All of these issues will be discussed in the following section.

(3) The Actual Situation of China's DTV Today

Since 2003, emphasis pertinent to China's DTV development has chiefly been upon the comprehensive promotion and generalisation of DCT (excluding DTT and DBS). Over the past five years, a basic DCT transmission system comprising programme platform, transmission platform, service platform and supervision platform has been constructed. At the same time, a situation exists wherein three large DTV enterprises, including China DTV Media Inc. Ltd., SiTV and TopV, basically monopolise China's entire DCT market. By the end of 2005, the SARFT had approved 113 DCT channels; 95 of which have formally broadcast (Dong, 2006). And while the number of China's DCT users reached 3.97 million in 2005, only 1.26 million were pay-TV users. Pay-DCT revenue for the year 2005 was 327 million yuan (approx. USD 43.5 million) (State Administration of Radio, Film and Television, 2006). Unarguably China's DCT development fell short of the SARFT's original goal set in 2003, i.e. that the number of China's DCT users should reach 30 million by the end of 2005. Despite this setback, during the process of DCT development, four different DCT promotion patterns – including the Suzhou, Qingdao, Foshan and Hangzhou patterns – emerged with

their respective strengths and weaknesses.

(a) The Suzhou pattern, by virtue of which DCT broadcasters undertake to provide attractive new and varied DTV services in a bid to encourage consumers to purchase set-top boxes (STB), to join the DCT network and to receive and watch DCT programmes[121]. The significance of the Suzhou pattern is that it breaks the original business model of China's television industry in that TV income accrues solely from commercial advertising; it has inaugurated a new way of profiting from the television industry in China (Huang, Zhou and Wang, 2005). However, this pattern has an obvious weakness in that the expenditure involved in watching DCT far exceeds the average consumption ability of common audiences[122], and because of this the number of DCT users of Suzhou cannot exceed twenty thousand. Under these circumstances, the Suzhou DCT broadcaster is actually in a situation of loss, and failure to achieve the anticipated profit. Thus for the above reasons the Suzhou pattern cannot be considered to be the paradigm for future DCT comprehensive development throughout China.

(b) The Qingdao pattern's characteristic strategy is to achieve comprehensive promotion and generalisation of DCT in Qingdao (i.e. to digitise the original analog cable television systems and networks), with the government providing free STB, greatly decreasing DCT subscriptions[123] and compulsorily closing most of the original analog cable television (ACT)

[121] The varied DTV services include an electronic programme guide (EPG), interactive features, enhancing broadcasting and near video on demand (NVOD), providing high quality DTV programmes as well as the latest movies.

[122] The expenditure associated with watching DCT in Suzhou involves two main parts. One is the cost of STB, which was between 880 yuan and 1500 yuan (approx. USD 117 to USD 200) at that time (STB is cheaper now). The other was the DCT subscription of 39 yuan (approx. USD 5.2) per month. However, the charge (or so-called subscription) for analog cable television (ACT) was only 12 yuan (approx. USD 1.6), which was 30 per cent of the DCT subscription (Scholar E, personal communication, Beijing, 13 January 2007). In 2003, the gross domestic product (GDP) per capita in China was USD 1,000 (L.Z. Wang, 2006). Thus, the cost of watching DCT far exceeded the average consumption ability of the common audiences.

[123] The DCT subscription in Qingdao is 22 yuan (approx. USD 2.93) per month, which is only 10 yuan (approx. USD 1.33) more than the original ACT subscription of 12 yuan (approx. USD 1.6) per month and much cheaper than the Suzhou DCT subscription of 39 yuan (approx. USD 5.2) per month (Huang, Zhou and Wang, 2005).

channels (but still retaining the six important ACT official propaganda channels) (Huang, Zhou and Wang, 2005). The Qingdao pattern's greatest strength is that it can gain the maximum number of DCT users in the minimum amount of time, which is quite advantageous vis-a-vis comprehensively promoting and generalising DCT in Qingdao, especially at the beginning. However, this pattern needs two preconditions: first, strong governmental financial support, i.e. the government must pay the cost of STB for every DCT user[124]; second, a coercive push by the government (e.g. the compulsory closure of most of the original ACT channels), a form of top to bottom administrative force that is market driven and focused upon meeting audience self-needs. In this way, while the comprehensive promotion and generalisation of DCT in Qingdao can realise an expected number of DCT users, the DCT promoters (mainly the government) may meet resistance from the original ACT broadcasters or network operators and the hitherto faithful ACT audiences. Clearly, then, the Qingdao pattern is neither a perfect nor an ideal paradigm for future comprehensive DCT development in China.

(c) The Foshan pattern is very similar to the Qingdao pattern. This pattern also insists that STBs be purchased by the government and that the original ACT channels should be subject to compulsory closure. The only difference between the Qingdao pattern and the Foshan pattern is that the former retains six ACT official propaganda channels while the latter retains none (Huang, Wang and Zhou, 2005). Undoubtedly the Foshan pattern will ensure that all

[124] The price of a common STB in China is about 300 to 500 yuan (approx. USD 40 to 66) currently. By the end of 2005, there were approximately 600 thousand DCT users in Qingdao (Media Practitioner B, personal communication, Jinan, 31 December 2006). This implies that the Qingdao government has to pay approximately 180 million to 300 million yuan (approx. USD 24 million to 40 million) to purchase STBs for Qingdao DCT users, no easy task for a Chinese local government. From another angle, as all governmental financial support accrues from tax paid by the public, the 180 to 300 million yuan (approx. USD 24 millions to 40 millions) that the Qingdao government paid for purchasing STBs was actually the money of Qingdao DCT users and other Qingdao taxpayers. A potential possibility has to be considered that some officials may attempt to seek illegal profit in the process of STB trading between the government and STB providers.

original ACT users become new DCT users (unless they opt not to no longer watch cable TV). However, I see this pattern as too radical because to a certain extent it damages the vested interests of some original ACT broadcasters and network operators. As well, it comprehensively changes the TV watching and consuming habits of Foshan viewers. It is fact that Foshan DCT promoters came up against strong opposition in the process of DCT promotion and generalisation. As Huang, Zhou and Wang (2005) suggest, the best approach to solving this problem would be to enhance intercommunication between the DCT promoters and the original vested interest groups as well as viewing audiences.

(d) The Hangzhou pattern was constructed based upon the perceived advantages and valuable experiences of the above three patterns. This pattern states that STBs should be freely supplied by the government, with DCT subscriptions kept at the same price as ACT subscriptions. The most prominent characteristic of the Hangzhou pattern is that DCT broadcasters provide a genuine interactive feature service through combining the two networks – the HFC network and the IP network. Users are required to pay extra for this service, providing DCT broadcasters with a new income source apart from the original commercial advertising and subscription (Dong 2006). Although the Hangzhou pattern looks ideal when compared with the other three patterns, like the Qingdao pattern it still needs two preconditions, i.e. strong government financial support and a coercive push by the government if comprehensive promotion and generalisation of DCT is to proceed successfully in Hangzhou. Thus, in the final analysis, the Hangzhou pattern is not the ultimate paradigm that China’s DCT promoters expected it to be.

The above four typical DCT promotion patterns basically represent the general state of DCT development in China. Although none of them is ideal, under the guidance and pressure of the SARFT, at least two of these four patterns have been adopted by some Chinese provinces and cities, as a form of reference to promote and generalise DCT in their own territories. The DCT development process in China is markedly complex, being variously influenced and driven by social, political and economic forces. The sum of these forces, of multifarious external and internal factors, and of the complicated relationships that persist among them, will be analysed in Chapter Six. In the following section I discuss the timeline of comprehensive promotion and generalisation of DCT in China and the 'three-step strategy' for China's DTV development.

As I have suggested previously, at a working meeting in July 2003 the SARFT approved a timeline of comprehensive promotion and generalisation of DCT in China and a 'three-step strategy' for China's DTV development. In line with the diversities of geographical position[125] and the economic development levels in the different regions of China, the timeline of comprehensive promotion and generalisation of DCT in China involves four phases: (a) 2003 to 2005: This phase aims to achieve the comprehensive promotion and generalisation of DCT (i) in the four municipalities directly under the central government, (ii) in most sub-provincial cities (including provincial capital cities and cities under direct planning by the state), and (iii) in the majority of prefecture cities and economically developed cities in the east and centre of China, thereby realising thirty million DCT users in China within two years (Huang, Wang

[125] In terms of geographical position, mainland China can be divided into: four municipalities directly under the control of the central government – Beijing, Tianjin, Shanghai and Chongqing; five provinces in the east of China – Guangdong, Fujian, Zhejiang, Jiangsu and Shandong; fourteen provinces or provincial autonomous regions in the centre of China – Hunan, Hubei, Hainan, Sichuan, Anhui, Jiangxi, Guangxi, Henan, Hebei, Shanxi, Shaanxi, Liaoning, Jilin and Heilongjiang; eight provinces or provincial autonomous regions in the west of China – Xinjiang, Tibet, Qinghai, Ningxia, Gansu, Inner Mongolia, Yunnan and Guizhou (Huang, Wang and Zhou, 2005).

and Zhou, 2005). However, in light of the statistics produced by the State Administration of Radio, Film and Television (2006), the actual number of DCT users in China in 2005 reached only 3.97 million, which clearly did not meet the SARFT's original expectations; (b) 2006 to 2008: During this period, the SARFT intends to complete the comprehensive promotion and generalisation of DCT in all cities and counties in the east of China, most cities and counties in the centre of China, and most prefecture cities and some economically developed counties in the west of China; (c) 2009 and 2010: During this period, DCT should be comprehensively generalised in all cities and counties in the centre of China and in most cities and counties in the west of China; (d) 2011 until 2015: The SARFT aims to complete the generalisation of DCT in all cities and counties in the west of China in the period 2011 – 2015, in effect achieving its ultimate goal of comprehensively generalising DCT in China (Huang, Wang and Zhou, 2005). This section of the thesis was written at the end of 2007, when the second phase (2006 to 2008) was yet to be completed, and the third phase (2009 to 2010) and the last phase (2011 to 2015) had not been implemented. Hence, it would be premature to judge whether or not the aims vis-a-vis the second, third and last phases may be achieved. Notwithstanding, as the SARFT's original expectations regarding the first phase failed to materialise, achieving the goals of the last three phases in this timeline seems less than likely.

The SARFT's focus is also upon China's DTV development 'three-step strategy', a long term project in China. In terms of China's actual state, as well as the three distinct transmitting platforms or approaches to DTV involving satellite usage (DBS), cable television networks (DCT) and terrestrial microwave (DTT), the SARFT's 'three-step strategy' for China's DTV development is as follows: (a) the first step: DCT should be given priority to develop

immediately since 2003 and be comprehensively generalised in China by 2015. Preferential consideration of DCT development is chiefly because currently there are over 100 million analog cable TV users in China, which accounts for approximately one third of China's 320 million TV families. Most of China's analog cable TV users live in the country's urban areas, where at the economic development level people's living and consumption standards are higher, as are their audience demands. As well, consideration of analog cable TV systems and networks in the urban areas is more advanced compared with the rural areas. Thus, comprehensive promotion and generalisation of DCT in China is deemed the first step in the 'three-step strategy' for China's DTV development as it appears relatively easy and more feasible; (b) the second step: In 2005, China launched its home-made communications and broadcast satellite and began to develop DBS; (c) The third step: DTT will be strongly promoted in the rural and remote mountainous areas of China after 2008. This is because most of China's populations live in the rural and remote mountainous areas where people only receive about six analog TV channels via terrestrial microwave. Thus, for the generalisation of DTV in China, there is a need to develop DTT in these regions after the Chinese government approves and implements its home-made DTT standards (Huang, Wang and Zhou, 2005).

The above 'three-step strategy' clearly demonstrates the urgency of SARFT's bid to develop DTV for 1.3 billion Chinese. However, can the 'three-step strategy' for China's DTV development be successfully put into practice? Can it really be accomplished? I personally do not think so. First, as I have suggested in the foregoing section, it has already been proved that DCT development, i.e. the first step of the 'three-step strategy', did not meet SARFT's original expectations and aims. Next, the second step – the launching China's home-made

communications and broadcast satellite and developing DBS in China – also met with difficulties. The scheduled communications and broadcast satellite launching time was originally 2005 but it was delayed one year until 29 October 2006. Less than a month after being launched into orbit, unfortunately China's first home-made communications and broadcast satellite Sinosat-2 "suffered a serious technical anomaly and was unable to deploy its solar arrays and communications antennas" (CRIENGLISH.com, 2006). It was thus "unable to be put into broadcasting and telecommunications services" and may well have become 'space trash' (2006). Under the circumstances, the DBS development project in China had to pause and await the launching of a new home-made communications and broadcast satellite. Finally, the prospect of a third step that will promote DTT in the rural and remote mountainous areas of China is not optimistically viewed. Despite the fact that DMB-TH (standard) was mandatorily implemented as the unified DTT (excluding DCT and DBS) standard in China on 1 August 2007, the effect and performance of DMB-TH (standard) implementation in China still needs to be scrutinised (Pan, 2007). As yet there are no any authoritative statistics to demonstrate the effect and performance of DMB-TH (standard) implementation in China (prior to February 2008). Moreover, in view of the poor performances of the first and second steps, how can the third step of the 'three-step strategy' (the development of DTT in the rural and remote mountainous areas of China after 2008) engender high expectations?

Summary

In this chapter, I have first explored the development of the television industry in China, and then introduced the actual situation of the country's television industry. I have addressed some

of the problems that have determined the process of China's television industrialisation. As well I have concisely analysed and discussed the development and actual state of DTV in China, and highlighted some of the obstacles that have impeded China's DTV development, obstacles that I will explore comprehensively in Chapter Six. In the next chapter, focus is on commercial television in the U.S. and public television in the U.K. The U.S. and U.K. experiences will prove valuable for the furthering of television industrialisation reform in China.

Chapter Five

Commercial Television in the U.S. and Public Television in the U.K.

5.0 Introduction

In Chapter Two (2.1.4) reference is made to the 'four rationales for the mass media' proposed by Siebert, Peterson and Schramm in their 1956 publication *Four Theories to the Press.* Despite the fact that over 50 years have now passed, these four theories remain the theories underlying the study of mass media, e.g. newspapers, magazines, radio, television and nowadays some new media. By comprehensively taking into account the 'four rationales for the mass media', television ownership and operational patterns, and the world's current television systems can be categorised into three types: state-owned (or government owned), public and commercial television[126] (Nitsche, 2001; Qin, 2002; Zhang, 2006).

In actual fact, the current television systems of most countries are admixtures of commercial, public and state-owned television. The U.S. television system provides a typical example. It not only has the Public Broadcasting System (PBS) for domestic public service broadcasting but also the Voice of America (VOA) for international political communication. However, the dominant position in the U.S. television system/industry is occupied by commercial television. In order to provide comparable and referenced material regarding the development of China's commercial and public television in the future, this chapter will focus on the typical systems of commercial and public television worldwide, commercial television in the U.S. and public

[126] The relevant theoretical analysis of public television and commercial television appears in section 2.3.4 of Chapter Two.

television in the U.K.[127]

5.1 Commercial Television in the U.S.

The U.S. was one of the earliest countries to experiment with television transmission and one of the earliest to explore television development in the world. By 1928 the General Electric Company in the U.S. had started to experiment with television. In the 1930s, NBC (the National Broadcasting Company) and CBS (CBS Broadcasting Inc., previously the Columbia Broadcasting System) commenced developing television, and by 1937, the U.S. possessed 17 experimental television stations. On 30 April, 1939, NBC broadcast the opening ceremony of World Fair (Expo) in New York. From then on, NBC commenced formal broadcasting (Creeber, 2003; Hilmes, 2003a; Lu, 2003; Wang, 2002). Over the following 60 years, America's television industry experienced five different development stages: the 'stagnation stage' that occurred during the Second World War (U.S. involvement from 1941 to 1945), the

[127] The selection of the U.S. and U.K. cases aims to introduce the successful experience of American commercial television and British public television into the development of China's commercial and public television in the future. The preference vis-a-vis commercial television in the U.S. is based upon the following three main reasons: (1) the development and actual situation of the American television industry. The U.S. was one of the earliest countries to experiment with television transmission and one of the earliest to explore television development in the world. The U.S. also has the world's largest television companies and systems including NBC, CBS, the ABC and Fox, which together have strongly influenced the development of the world's television industry; (2) the reform and opening up of China. Tracking China's reform and opening up over the past thirty years reveals that the reform and opening up followed the traditions and principles of neoclassic political economy, particularly Keynesianism and Monetarism (see Chapter Two). The development of China's television industry, an important component of the Chinese economy, certainly cannot run external to the neoclassical system. Under these circumstances, American commercial television as an emblematical paradigm, embodied the neoclassical approach. The applying of this approach to actual practice makes it a most appropriate case to draw upon for valuable and referenced material regarding the development of China's commercial television; (3) the development of commercial television in Asian countries/regions including Japan, Korea, Singapore, Hong Kong and Taiwan. Japan's television industry is the most developed in all of Asia. Its development was and continues to be strongly influenced by American commercial television. Due to certain cultural similarities and geographical proximity, the development of television in other Asian countries'/regions' both learned and borrowed directly from the Japanese television industry (such as television programme making, the circulation of television productions and television content), albeit their television industries continue to be influenced by American commercial television to some extent (Media Practitioner J, personal communication, Jinan, 26 December 2006). However, concomitant with the impact of globalisation and the coming of the Internet Age, the cultural similarities and geographical proximity among different nations and regions in Asia are no longer the primary consideration. Many Asian countries'/regions' (including China's) television industries opt to borrow ideas from the American television industry rather than from its Japanese counterpart. For example, the Chinese television programme *Supergirl (超级女生)*, which is produced by the Hunan Media Group is viewed as 'Chinese Idol', a successful variation on the U.S. television programme *American Idol* (Keane, 2007). The above three reasons adequately explain the preference for the commercial television of the U.S. My selection of public television (e.g. the BBC) in the U.K. was chiefly because the BBC is regarded as one of the most perfect public service broadcasting (PSB) in the world. Details of its management and production made available to – or sought by – China vis-a-vis establishing China's public broadcasting system. In light of the above, I have opted to devote a whole chapter (i.e. Chapter Five) to examining commercial television in the U.S. and public television in the U.K.

'Era of Great Change' (1942-1952), the 'age of great development of television' (1952-1977), the 'challenge and competition stage' (1977-1988) and the 'change and evolution stage' (1988 to the present) (Hilmes, 2003a; Sterling and Kittross, 2002). Nowadays, the television industry has become an important component of the American economy; as well, it is one of the most influential industries in the country. Dominated by commercial television, it has the largest scale market, the highest degree of commercialisation, and the most intense competition in the world[128]. This may be the reason why the commercial television in the U.S. is considered a paradigm of world commercial television development.

This section will analyse two major aspects of commercial television in the U.S.: the macro administration of the U.S. television industry and the micro markets of the U.S. commercial television industry, involving the terrestrial television market, the cable television market and the DBS market. By analysing the macro administration of the U.S. television industry (the relevant theoretical basis of the administration, regulations, and the administrative institutions and their functions) and the micro markets of U.S. commercial television (the market structure, the market organisational form and the marketisational operation manner of the market chain

[128] According to statistics produced by *TV BASIC 2003*, *NHK 2005 Annual Report of Radio and Television in the World*, *2005 Entertainment Media and Advertising Market Research Handbook* and Price Waterhouse Coopers, in 2003 there were approximately 108 million families in the U.S., among them, 98 per cent, i.e. approximately 106 million families can receive a television signal as well as watch television. In addition, the U.S. had approximately 190 million TV sets (13 per cent of the total TV sets in the world), and over 75 per cent of U.S. families had more than two sets. By June 2004, there were 1,747 television stations on air in the U.S., of which commercial stations numbered 1,365 (approx. 78 per cent). The number of non-commercial stations was 382 (approx. 22 per cent). There were seven main nationwide terrestrial television broadcasting networks including the ABC, CBS, NBC (the National Broadcasting Company) and Fox (Fox Broadcasting Company), as well as WB (Warner Bros. Television Network, i.e. the present CW Television Network), UPN (United Paramount Network), and PAX TV. The Public Broadcasting Service (PBS) undertook the function of public service, under which there were 349 affiliated television stations. By the end of February 2005, the U.S. had 8,409 cable television systems: the number of cable television users reached 73.219 million, 66.8 per cent of the total U.S. televisual families. The U.S. direct broadcasting television (DBS) market was continually monopolised by DirecTV and EchoStar Communication Corporation (EchoStar). By September 2005, DirecTV had 14.933 million subscribers. Its yearly income was 11.77 billion U.S. dollars and its earnings before interest and taxes (EBIT) reached 477 million U.S. dollars. In January 2005, EchoStar had over 11 million subscribers. Its yearly income and EBIT was 8.178 billion and 1.117 U.S. dollars respectively. In addition, the market value of the television industry in the U.S. had reached $138.52 billion U.S. dollars in 2004, occupying more than 40 per cent of the total market value of the television industry in the world. In 2005, the per capita time of watching television in the U.S. occupied approximately 50 per cent of the total time of American people's media contact, which far exceeded the time spent on listening to the radio (28.8 per cent), reading (10.1 per cent), using the Internet (5.26 per cent) and enjoying music (5 per cent) (Ming, 2005; Zhou, 2006; Z. Zhang, 2006).

in U.S. commercial television), this section will provide reference for China's television industry, that is, for the further reform of commercial television, particularly the establishment and completion of its commercial television market chain.

5.1.1 The Macro Administration of the U.S. Television Industry

Despite the fact that the U.S. is generally considered to have a high degree of freedom of speech and information, this does not necessarily mean that there is absolute freedom of speech and information in America. Television, an important media platform, is certainly subject to administration, albeit with its own characteristics. This is one of the fundamental factors behind the power of the U.S. television industry. In the following section, two aspects of the administration of the U.S. television industry will be explored: the theoretical basis of the television industry administration and the administrative institutions and their functions.

5.1.1.1 The Theoretical Basis of Television Industry Administration in the U.S.

America has a set of detailed laws and regulations in place concerning all aspects of the television industry. The enacting of these laws and regulations is mainly based on two theories: scarcity theory and pervasive presence theory (Cater, Dee and Zuckman, 1994; Baran and Davis, 2006; Gillmor, Barron, Simon and Terry, 1989).

(1) Scarcity Theory

Scarcity theory postulates that both the spectrum of terrestrial television and the cable and satellite television channels are scarce resources. This is because, in general, content supplied by those engaged in television broadcasting (television broadcasters) will exceed the actual

containing capability of the spectrum and channels. Hence the government (or related administrative institution) has to make choices when television broadcasters apply for licences; as well, it must regulate and administrate their behaviour. At such times, the relevant laws and regulations are drawn upon (Cater, Dee and Zuckman, 1994; Baran and Davis, 2006).

Other theories related to scarcity theory include: (a) *Collective Rights Doctrine*, which states that by virtue of the scarcity of spectrum and channels, television broadcasters play the role of trustees of the masses. Trusteeship showcases the television broadcasting licence holders' responsibility to represent and express the views and voices of the public. In terms of this theory, it is the audience – not the television broadcasters – that has the supreme right (Cater, Dee and Zuckman, 1994; Baran and Davis, 2006); (b) *Public Domain Doctrine* holds that as spectrum and channels belong to the public domain, administration of them is necessary. The government (or related administrative institutions) should grant licences in accordance with specific fundamental rules or regulations to qualified television broadcasters for the use of these 'scarce public resources' (1994; 2006); (c) *Prior Grant Theory* claims that some competitors are excluded due to licences not being granted. The rest of the television broadcasters actually benefit from prior licence granting by the government (or related administrative institution). The government (or related administrative institution) must guarantee that the public can receive high quality services through relevant administration of television broadcasters (1994; 2006).

However, due to the rapid improvement in digital technology and the progressive use of digital television, spectrum and channel limitation has gradually become less of an issue;

scarcity theory has suffered at the hands of technological innovation.

(2) Pervasive Presence Theory

Pervasive presence theory is also known as ‘social influence theory’. This theory holds that because television exists universally in social life, it should come under appropriate administration. In this sense, the government (or related administrative institution) has the responsibility to guide the development of the television industry, to administer fair competition in the television market, and to supervise the behaviour of television broadcasters and practitioners (Gillmor, Barron, Simon and Terry, 1989).

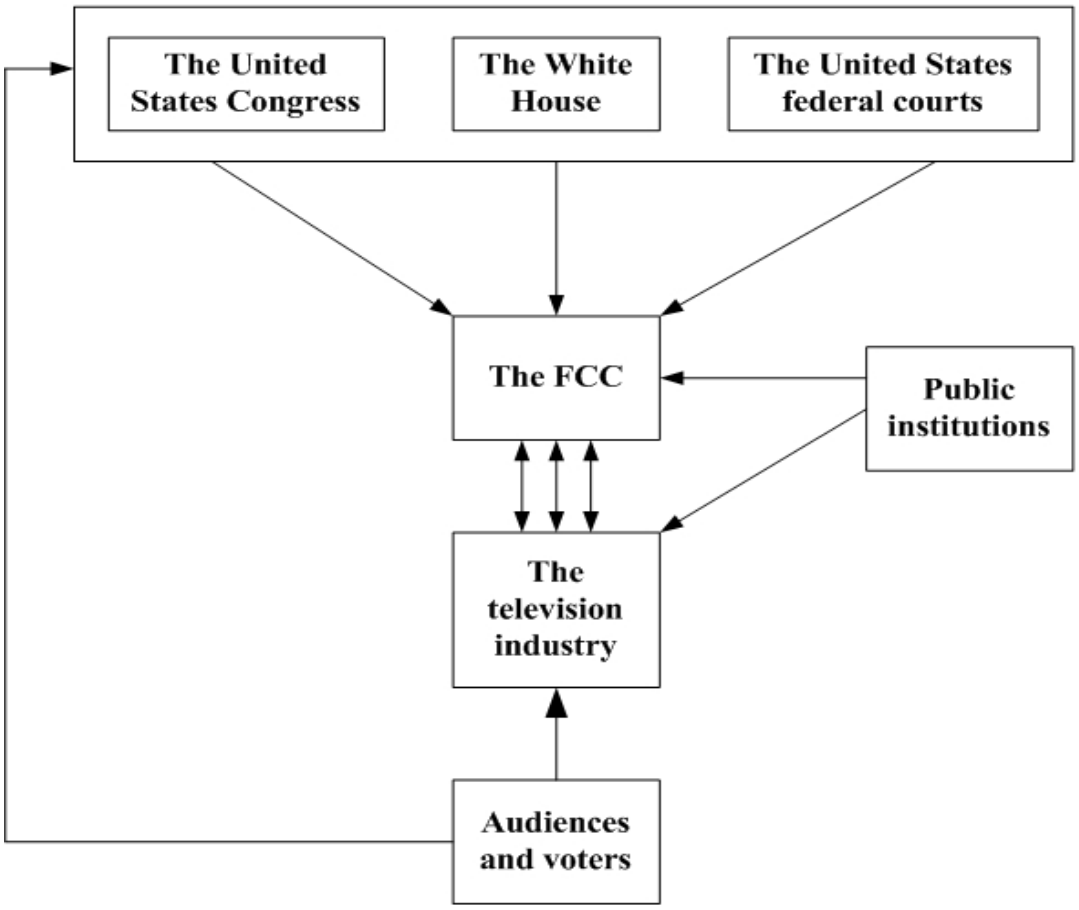
Both the scarcity theory and the pervasive presence theory insist that the government (or related administrative institution) should administer and supervise the behavioural patterns of the country’s television broadcasters and practitioners. Today, the effects of these theories still exist in the current television laws and regulations in the U.S. However, detailing these laws and regulations is not the concern of this thesis. The aim of analysing these theories is to first ascertain the origins of America’s television laws and regulations. This will facilitate both an understanding of – and broader discussion of – the U.S. television industry’s administrative institutions and their functions.

5.1.1.2 Administrative Institutions and their Functions

In the U.S., despite the Federal Communications Commission (FCC) being made central to the (macro) administration of the television industry by the *Communications Act of 1934* (after several revisions), the Commission continues to be restricted by certain conglomerates

or influences that have greater strength and longer histories when it comes to making significant policies, regulations or decisions, (as indicated in Figure 5.1[129] (Walker and Ferguson, 1998).

FIGURE 5.1 The basic mode of administering and influencing the television industry in the U.S.



Source: Walker and Ferguson (1998, p.73)

Figure 5.1 expresses the basic mode of administering and influencing the television industry in the U.S., the core of which is the FCC. Notwithstanding, when formulating important policies, regulations or decisions, the FCC is invariably directly influenced by the United States Congress, the White House (and the federal government), the United States federal

[129] The Figure 5.1 is a modified version of Walker and Ferguson's Figure 4.1 (1998, p.73).

courts, the television industry and public institutions. It is indirectly influenced by audiences and voters.

(1) The Federal Communications Commission (FCC)

As an independent United States government administrative agency established by the *Communications Act of 1934*, the FCC[130] is directly responsible to the United States Congress. Under the supervision of the Congress, the FCC, which enacts various policies and regulations for the U.S. television industry, is charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the fifty states, the District of Columbia, and U.S. possessions (http://www.fcc.gov/aboutus.html). One of the main tasks or functions of the FCC is that by exercising appropriate administration[131] it will ensure that all Americans receive nationwide (even worldwide), fast and efficient terrestrial, cable and satellite radio and television services with reasonable prices and abundant content (Parsons and Frieden, 1998; Pember, 1987; Zhong, 2003).

(2) The United States Congress

As the creator of the FCC, the United States Congress has absolute authority and influence

[130] "The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for 5-year terms, except when filling an unexpired term. The President designates one of the Commissioners to serve as Chairperson. Only three Commissioners may be members of the same political party. None of them can have a financial interest in any Commission-related business. …The Commission staff is organized by function. There are seven operating Bureaus and ten Staff Offices. The Bureaus' responsibilities include: processing applications for licenses and other filings; analysing complaints; conducting investigations; developing and implementing regulatory programmes; and taking part in hearings. FCC Offices provide support services. Even though the Bureaus and Offices have their individual functions, they regularly join forces and share expertise in addressing Commission issues" (http://www.fcc.gov/aboutus.html).

[131] In line with the general principle of 'serving the interests, benefits and demands of the public', the FCC achieves its administration of the television industry mainly through enacting regulations. These regulations contain many aspects. For example, the technological aspect, including the distribution of spectrum and channels, establishment of new technological standards and granting of broadcasting licences; the structural aspect, i.e. the prescription of the ownership and coverage of television broadcasting institutions; the programme content, involving certain regulations regarding political demands and restrictions, impartiality, the protection of children, racial issues and television advertising (Parsons and Frieden, 1998; Pember, 1987; Zhao, 2004; Zhong, 2003).

over it. This is chiefly manifested as follows: (a) The Congress can change the constitution of the FCC, bestow the FCC with new responsibilities, and remove dated prescription via revision of the *Communications Act of 1934*. Over the past seventy years, the *Communications Act of 1934* has been revised several times; (b) Congress may enact new legislations allowing the FCC to undertake new duties and tasks; (c) Congress is able to restrict the FCC's investigation of the activities of television institutions or enterprises by controlling the FCC's annual budget; (d) As the five FCC commissioners have to be confirmed by the Senate – albeit they are appointed by the President – Congress is empowered to influence the FCC's highest leadership (i.e. the five commissioners); (e) Congressmen with power may draw the attention of the entire television industry and the FCC to issues of concern that arise at public hearings. By employing the above approaches, Congress directly supervises and influences the work of the FCC, thereby ensuring that the FCC serves the American people adequately (Walker and Ferguson, 1998).

(3) The White House (and the Federal Government)

The President, along with related departments of the federal government (of the United States) has direct and impacting influence over the FCC and the television industry, influence that may take the dichotomous forms of force and persuasion. Imbued with the right to appoint the commissioners, the President exercises great influence over each and every one of them[132]. However, as the President's appointment of the commissioners must be confirmed by the Senate – and three of the five commissioners can not belong to the same party – the President's right of appointment, persuasion and influence of the commissioners of the FCC is

[132] Usually, the President influences the decision-making and work of the FCC through direct consultation with the chairman of the FCC and/or the other commissioners. Direct consultation is tremendously persuasive in the case of the FCC.

restricted to some extent. As well as the President, certain related departments of the federal government such as the Department of Justice and the National Telecommunications and Information Administration (NTIA) can also directly or indirectly influence the television industry via their promotion of legislation and through their planning of the relevant communication policies for the President (Napoli, 2006; Lu, 2003; Pember, 1987).

(4) The United States Federal Courts

In the U.S., despite the FCC being the television industry's major administrative institution (which can enact regulations and make certain decisions, e.g. punishing non-conformist television institutions or enterprises), the FCC is not the final arbiter of the administration of the television industry. Each decision made by the FCC can be appealed in the federal courts, even taken to the Supreme Court. Thus, the U.S. judiciary, i.e. the Supreme Court and lower federal courts are the final adjudicators regarding decisions made by the FCC; as well, the Supreme Court is the authority for interpreting relevant laws[133] (Napoli, 2006; Pember, 1987).

(5) The Television Industry

The FCC not only comes under the direct influences of the Congress, the President (and the federal government) and the judiciary but also under the continual supervision and pressure of its guiding industry (i.e. the television industry). Some large media conglomerates or corporations, television networks, and associates in the television industry that own television stations will canvass the FCC in the hope of gaining the most favourable treatment. Decisions

[133] In general, the decisions of the FCC may be overturned for the following three reasons: (a) decision-making doesn't follow the just process or the established regulations; (b) decisions don't receive the warrant of the Congress; (c) decisions conflict with the United States Constitution, that is, violation of the Constitution (Napoli, 2006; Pember, 1987).

or policies made by the FCC that are considered harmful to television industry broadcasters or practitioners may face intensive opposition and firm rejection (mainly through aggrieved parties writing to their congressmen or directly to the courts). This, to some extent, can influence and pressure FCC decision-making pertaining to its policies and associates (Napoli, 2006; Walker and Ferguson, 1998).

(6) Public Institutions

Institutions that represent special public interest groups (e.g. Action for Children's Television) may also influence and bring pressure to bear on the FCC in order to protect their interests. However, public institutions, unlike the large media conglomerates or corporations, television networks and associates in the television industry that own television stations, lack comparative power. For this reason, the degree of pressure and influence they can apply to the FCC is relatively limited (Walker and Ferguson, 1998).

(7) Audiences and Voters

Almost every American can influence the television industry by choosing certain programmes. Because audience ratings are of significant value and concern to advertisers, they affect the production of television programmes. While the television programme producing institutions or enterprises are engaged in making programmes, they have to take audience demand into account so as to guarantee high audience ratings as well as advertising[134]. When audience demand is inconsistent with the policies and regulations of the FCC, television institutions or enterprises will certainly pressure the FCC to change its current policies and regulations. In

[134] For the relevant literature review regarding dual product market consisting of consumer market and advertising market existing in media industries, see Chapter Two (2.3.2).

the same way, when audiences become voters, they can use their voting power to effect the policies of the President and Congressmen that will ultimately determine the direction of the television industry. Therefore, although audiences and voters can not exercise direct influence over the FCC, they can indirectly affect the policies and regulations of the FCC using their remote controls and voting power (Napoli, 2006; Walker and Ferguson, 1998).

To sum up, the macro administration of the U.S. television industry is not solely determined by one power or group but is mutually directed and influenced by various powers and/or interest groups, which is consistent with McQuail's political, economic and social framework (see Chapter Two). This principle is applicable to any country in the world. However, as with the distinctions of actualities in different nations (i.e. different political, economic and social systems), the mode of macro administration of the television industry is varied. The above analysis of the macro administration of the U.S. television industry provides a referential administrative mode or pattern for other countries, especially for China's television industry.

5.1.2 The Markets of the U.S. Commercial Television

The U.S. commercial television industry consists of terrestrial television, cable television and DBS markets. Exploration of the chronology of technological development in the U.S. reveals that terrestrial television first appeared in the 1930s. The beginning of the 1950s to the end of 1970s marked the age of great development of terrestrial television (Hilmes, 2003a; Sterling and Kittross, 2002). Cable television emerged between the end of the 1940s and the beginning of the 1950s. At the end of the 1970s, after satellite transmission was applied to the cable television system and American commercial television was deregulated, cable television

experienced a rapid development period (Parsons and Frieden, 1998; Sterling and Kittross, 2002). In the 1990s, along with the improvement of satellite and digital technology, DBS appeared on the U.S. television scene and quickly occupied a position in the television industry (1998; 2002). Nowadays, terrestrial television, cable television and DBS mutually dominate and rule the entire U.S. commercial television market. In this section, I undertake separate analyses of the three markets of U.S. commercial television.

5.1.2.1 The Commercial Terrestrial Television Market

The commercial terrestrial television market, the earliest market form of the U.S. television industry, appeared in the 1930s and gradually developed and strengthened after the beginning of the 1950s. Over the past fifty years, the development of America's commercial terrestrial television market shifted from a stage of oligopoly (early 1950s to 1985) to a stage of monopolistic competition (1986 to the present) (Lu, 2003; Walker and Ferguson, 1998).

(1) Markets during the Oligopoly Stage (early 1950s to 1985)

From the early 1950s to 1985, the U.S. television industry was largely dominated and monopolised by NBC, CBS and ABC[135]. These three firms all belong to a nationwide commercial terrestrial television broadcast network, that is, a system or corporation which can regularly supply at least fifteen hours of programmes during peak hour to more than

[135] The National Broadcasting Company (NBC) which was formed in 1926 by the Radio Corporation of America (RCA), was formally founded in January 1927. It first broadcast on television in April 1939, and then control of the NBC passed to the General Electric Company (GE) in 1986 following GE's 6.28 billion U.S. dollars purchase of RCA. Columbia Broadcasting System (CBS) was founded in 1927 and first broadcast on television in 1941. The Westinghouse Electric Corporation acquired the network for 5.4 billion U.S. dollars in 1995. In 2000, CBS came under the control of Viacom (Viacom purchased CBS for 36 billion U.S. dollars). Five years later, in 2005, Viacom split and reestablished as CBS Corporation with the CBS television network at its core. Since then, CBS Corporation and the new Viacom are controlled by Sumner Redstone via National Amusements, the parent of the two companies. The American Broadcasting Company (ABC) was established in 1943 from the former NBC Blue radio network. It first broadcast on television on 19th April 1948. Currently, ABC is owned by The Walt Disney Company and is part of the Disney-ABC Television Group (Murray, 2003; Sterling and Kittross, 2002; Walker and Ferguson, 1998).

twenty-five affiliated stations in at least ten states[136] (Compaine and Gomery, 2000; Sterling and Kittross, 2002). The monopoly of these three networks took three forms: (a) monopoly of television audiences. Two factors determined why NBC, CBS and ABC were able to monopolise nationwide audiences during this period. The first was that commercial television occupied the primary dominant position in the American television industry. Most audience ratings, audience market shares and television advertising are occupied by commercial television (public television only has a small part). Another factor is that most local television stations in the U.S. belong to owned-and-operated stations (O&Os)[137] or affiliated stations[138] of the nationwide commercial terrestrial television broadcast network, not to independent television stations[139][140] (Compaine and Gomery, 2000; Lu, 2003; Sterling and Kittross, 2002);

[136] During this period, due to restriction of the technology, laws and policies, the U.S. television industry was mainly dominated by terrestrial television. Cable television and DBS were in the exploration and experimental process.

[137] In terms of the FCC's regulation, before 1985, each terrestrial (television) broadcast network was restricted to a maximum of seven O&Os, including five VHF (very high frequency) and two UHF (ultra high frequency) stations. However, since the implementation of the *Telecommunications Act of 1996*, the number of O&Os owned by each terrestrial (television) broadcast network is no longer restricted (Compaine and Gomery, 2000; Lu, 2003; Sterling and Kittross, 2002).

[138] The term 'affiliated stations' generally refers to local commercial television stations which affiliate to certain nationwide commercial (terrestrial) television broadcast networks. The primary business of affiliated stations includes: airing the programmes of the television network according to the given agreement (including the attached advertising); producing local news; making, managing, trading and broadcasting local advertising. Currently, there are approximately 1,300 commercial television stations in the U.S., of which approximately two thirds are affiliated stations or owned-and-operated stations (O&Os) of (nationwide commercial (terrestrial) television broadcast networks. Only around one third belong to independent television stations (Lu, 2003; Sterling and Kittross, 2002; Ming, 2005).

[139] The term 'independent television stations' refers to (commercial) local television stations that don't belong to any television networks. Independent television stations mainly buy their programmes from syndication (i.e. companies that have rights to produce, sell or rent television programmes to multiple television broadcast networks or individual television stations). These independently manage and trade local, regional and/or nationwide television advertising (Ming, 2005; Sterling and Kittross, 2002).

[140] During the period from the 1950s to the 1970s, each of the three nationwide commercial terrestrial television broadcast networks (NBC, CBS and ABC) had approximately two hundred affiliated stations and seven O&Os (Compaine and Gomery, 2000; Lu, 2003; Sterling and Kittross, 2002). In fact, cooperation or certain contracts or agreements between nationwide television networks and local television stations are of benefit to both sides: (a) By affiliating, local television stations can access the high quality television programmes that nationwide television networks only provide to their affiliated stations, i.e. domestic and international news and popular television series. Most local television stations are unable to produce or purchase such television programmes or series individually (e.g. it is not easy for independent television stations to get the high rating programmes or series). Access to high quality programmes allows affiliated stations to attract more audiences. They are then in a position to charge local advertisers more. While affiliated stations broadcast programmes from the nationwide television network, they must simultaneously broadcast the attached advertising (advertising being the most fundamental source of primary revenue for nationwide commercial terrestrial television broadcast networks). Thus, there is no charge when affiliated stations broadcast programmes supplied by nationwide television networks. In contrast, nationwide television networks need to pay an affiliate compensation fee to affiliated stations in order to maintain their loyalty. The amounts of affiliate compensation fee paid by nationwide television networks to their affiliated stations differ; the amount is determined by the scale of local affiliated stations, the number of local audiences and the broadcast length of the programmes produced by nationwide television networks. In addition, in the case of programmes provided by nationwide television networks, intervals of six to eight minutes are reserved for affiliated stations to broadcast local advertising (nationwide television networks usually leave 30 per cent of the total advertising time to the affiliated stations (Compaine and Gomery, 2000; Ming, 2005; Sterling and Kittross, 2002; Wang, 2002); (b) For nationwide commercial terrestrial television broadcast networks, 'purchasing' and 'affiliating (absorbing the affiliated stations)' are the two primary approaches to enlarging their covering rate and increasing their audience market share. The expenditure involved in purchasing television stations is vast.

(b) The monopoly exercised over television productions prior to the 1970s, when cable and satellite television were as yet undeveloped and under the administration of the U.S. television industry, was imperfect. The three largest nationwide television networks (NBC, CBS and ABC), through their O&Os and affiliated stations, not only monopolised television transmission but also controlled the making and trading of most television productions. Their monopoly over the market chain (involving investment, production, trade, broadcast and investigation) of the American television industry resulted in NBC, CBS and ABC gaining huge profits at this stage[141]. Although the latter's degree of monopolisation of television productions has obviously decreased since the mid-1970s, their monopoly of sports programmes remains the same, especially transmission of NBA, NFL and other major international sporting events that American people are keen to watch; the Olympic Games, for example (Compaine and Gomery, 2000; Lu, 2003; Vogel, 1998); (c) The U.S. is the most developed country in the world in the field of television advertising. As regards the revenue gained by U.S. commercial terrestrial television firms, this comes primarily from television advertising. The monopoly of the NBC, CBS and ABC naturally extends to the television advertising market. According to Lu (2003) and Compaine and Gomery (2000), all advertisers

Hence, affiliating is a better and more feasible option. Affiliating not only enlarges the covering range of nationwide television networks through affiliated stations, thereby gaining higher audience ratings and more market share but also may increase the advertising charges of unit time, thus gaining more advertising incomes. This is chiefly because if a given (terrestrial) television broadcast network owns more affiliated stations, it will have a larger cover range of its programmes and advertising; it can then demand higher advertising charges (2000; 2005; 2002; 2002). Around 1980, although the number of stations affiliated with NBC, CBS and ABC had declined, approximately 80 per cent of local television stations were still affiliated with these networks. Furthermore, during everyday peak hours, these three large television networks attracted approximately 90 per cent of all American television families (Lu, 2003; Sterling and Kittross, 2002).

[141] The monopoly exercised by NBC, CBS and the ABC caused great dissatisfaction among independent television producers and television production enterprises. Following investigation, the FCC determined to terminate their monopoly over the market chain of the U.S. television industry. For example, the FCC instructed them to quit the field of entertainment programme production: they were no longer to own the copyrights of programmes they broadcast except for the news and sports programmes produced by themselves. Under these circumstances, the televisions networks were forced to promise that they would not publish any programmes inside the U.S. or abroad that were not produced by themselves. As regards, transmission of programmes produced by other institutions or enterprises, they were to limit the proportion of their profit. Within this relatively equal market atmosphere, U.S. tele-screen became increasingly colourful, with many high quality television productions appearing. From the middle of the 1970s to the 1980s, independent television producers and television production enterprises in the U.S. experienced a rapid self-strengthening period, which was also the period in which the U.S. established its overlord position in the world's television industry (Compaine and Gomery, 2000; Lu, 2003; Vogel, 1998).

in the U.S. spent approximately 5 billion U.S. dollars on terrestrial television advertising in 1980, of which, NBC, CBS and ABC occupied 96.5 per cent, that is, 4.827 billion U.S. dollars. In 1985, despite the fact that the audience market share of NBC, CBS and ABC declined to 75 per cent, at the same time they gained 86 per cent of the total U.S. terrestrial television advertising revenue of 9 billion U.S. dollars (i.e. approximately. 7.5 billion U.S. dollars).

However, concomitant with the appearance and establishment of the new commercial nationwide (terrestrial) television networks and enterprises, along with the rapid development and strengthening of the cable and satellite television market, a dramatic decline of audience market share and advertising income of the three largest nationwide television networks' audience market share and advertising income occurred. The monopoly age of the U.S. television industry controlled by NBC, CBS and ABC came to an abruptly close; not only the commercial terrestrial television market but also the entire American television industry embarked upon a period of monopolistic competition.

(2) Markets during the Stage of Monopolistic Competition (1986-the present)

In 1986, the Fox Broadcasting Company (Fox) owned by Rupert Murdoch's News Corporation purchased seven television stations from Metromedia for 2 billion U.S. dollars. This symbolised the emergence of the fourth largest nationwide television network in the U.S.[142] In the 1990s, more commercial terrestrial television networks (or enterprises) were successively established; these included WB, UPN and PAX TV. The rise of these new

[142] Following its establishment, Fox quickly occupied a seat in the (commercial) terrestrial television market of the U.S., producing and airing new and unique programmes (e.g. talk shows), purchasing or affiliating with many (local) television stations, and (particularly) buying out the four years' telecasting right of NFL games in the U.S. in 1994 form CBS for the competitively high price of 1.6 billion U.S. dollars. The success of Fox greatly stimulated the interest of investors in the U.S. commercial terrestrial television market (Ming, 2005; Sterling and Kittross, 2002; Walker and Ferguson, 1998).

television networks and the rapid development of DBS accelerated both the distribution and redistribution of the U.S.'s television audiences. After the *Telecommunications Act of 1996* was enacted, the barriers of cross-industry and cross-market business between the television industry and the telecommunications industry, between the paper media and the electronic media, and between terrestrial television and cable television were systematically demolished. Across America, the number of O&O and audience market share in a given terrestrial television network or enterprise was no longer restricted. A combination of these factors saw the three traditionally largest nationwide television networks' audience market share and proportion of advertising income across the entire U.S. television advertising market decline rapidly[143] (Compaine and Gomery, 2000; Lu, 2003; Sterling and Kittross, 2002; Ming, 2005). This implied a major transformation of the structure of the entire U.S. television industry. America's television industry, including terrestrial television, cable television and DBS markets, entered a stage of total monopolistic competition.

Subsequent to the reduction of the degree of market monopoly, competition in the U.S. television industry became even more robust than ever. This was mainly manifested in the following three ways: (a) The time and money spent by each terrestrial television network on advertising their own channels and programmes increased greatly[144]; (b) In order to attract more audiences, each terrestrial television network had to spend increased sums of money on

[143] Statistics produced by Modern Advertising, state that the advertising income of the three largest nationwide television networks (NBC, CBS and ABC) was 12.1 billion U.S. dollars in 1998, which was less than 31 per cent of the total revenue of the U.S. terrestrial television advertising (39.17 billion U.S. dollars) in the same year (Lu, 2003). Furthermore, the audience market share of NBC, CBS and ABC in the U.S. terrestrial television market dropped from 90 per cent in the 1960s to approximately 60 per cent in the 1990s (Zhong, 2003). Despite this, due to the continual enlargement of the scale of America's entire television advertising market, the absolute advertising revenue of the three largest nationwide television networks still increased, irrespective of the fact that their share of the advertising income in the entire U.S. television advertising market was declining (Lu, 2003; Sterling and Kittross, 2002).

[144] On average, each (terrestrial) television network or enterprise will spend 300 to 500 million U.S. dollars on advertising their own channels and programmes.

producing new programmes, purchasing 'hot' television series and scrambling to telecast popular sports games or tournaments; (c) As the importance of affiliated stations for terrestrial television networks declined gradually, their relationships became increasingly intensive. Many terrestrial television networks terminated their contracts with their original affiliated stations. The proportion of the large nationwide terrestrial television networks' affiliated stations in all U.S. commercial television stations declined from 90 per cent in the 1970s to less than 60 per cent by the 1990s[145]. Under these circumstances, the original affiliated television stations had to seek new cooperative partners or become independent television stations that could face the market individually. This would inevitably intensify the market competition in the U.S. industry (Compaine and Gomery, 2000; Lu, 2003; Vogel, 1998).

Nowadays, the traditional (and sole) terrestrial television networks (or enterprises) have become fewer in number with the opening up and advancement of television markets and frequent mergers and acquisitions in America's television industry. Many traditional terrestrial television networks such as NBC, CBS, the ABC and Fox have gradually transformed into multimedia conglomerates. This suggests that competition among them is not limited to the domains of audience ratings, audience market share and advertising on terrestrial television but extends to cable television, DBS, the production and trade of television programmes and even the paper media (e.g. newspapers and magazines). This demonstrates America's media

[145] First, the appearance of numerous thematic channels of cable television and DBS saw many affiliated stations' audience market share and rating decline rapidly. The (terrestrial) television networks had to reconsider their choices vis-a-vis affiliated stations. Second, as the *Telecommunications Act of 1996* no longer restricted the amount of O&O and the nationwide coverage of (terrestrial) television networks, the affiliated stations' function on the extension of (terrestrial) television networks' covering rate gradually weakened. As a consequence, the (terrestrial) television networks reduced or even refused to pay the affiliate compensation fees to their affiliated stations. Contracts and cooperative relationships between (terrestrial) television networks and their affiliated stations were terminated. Original affiliated stations had to either seek new partners or learn to survive independently. Third, some terrestrial television networks established their own cable television networks, which were viewed as new transmitting platforms for their programmes. Thus, their dependence on affiliated stations gradually weakened. This is why the proportion of large nationwide (terrestrial) television networks' affiliated stations in all the U.S. commercial television stations has declined from 90 per cent in the 1970s to less than 60 per cent in the 1990s (Compaine and Gomery, 2000; Lu, 2003; Vogel, 1998).

conglomerates' increasing trend towards pluralism[146], as shown in Table 5.1 (Lu, 2003).

TABLE 5.1 The revenue composition of the four largest (television) broadcast networks/enterprises in the U.S. in 2000

million U.S. dollars

Networks/ Enterprises	Radio stations	Television networks (the number of affiliated stations)	O&Os (the number of O&Os)	The production and trade of television programmes	Cable television	Total revenue
ABC	595	4,140 (217)	1,100 (10)	325	3,460	9,620
CBS	2,760	3,480 (213)	1,600 (35)	2,030	3,900	13,770
Fox	N/A	1,750 (187)	1,640 (33)	1,100	1,250	5,740
NBC	N/A	4,780 (217)	1,400 (13)	N/A	620	6,800

Source: *Broadcasting & Cable* (2001), quoted in Lu (2003, pp.82-83)

Along with the development and improvement of technology, as well as the government's relevant policies and measures vis-a-vis prevention and restriction of monopoly, a situation wherein the country's largest nationwide terrestrial television networks monopolise and control the entire television industry will never again occur in the U.S. The future of the U.S. television industry will see an era of competition among terrestrial television, cable television and DBS. In the following two sections I analyse both the cable television market and the DBS market.

[146] Although the (terrestrial) television networks suffered the great impact of an increasingly competitive age, (commercial) terrestrial television market remains the market that can gain the most advertising revenue in the U.S. television industry. According to Ming (2005), in the U.S., the advertising income of terrestrial television was approximately 42.07 billion U.S. dollars in 2002 while the advertising income of cable television and DBS was approximately 14.7 billion U.S. dollars (i.e. about one third of the terrestrial television advertising income) in the same year. It is clear that the attraction of terrestrial television to American advertisers is much higher than to cable television and DBS. Moreover, the four largest (terrestrial) television networks still had apparent advantages in their combined strength. In terms of statistics produced by *TBI* (2000, quoted in Lu, 2003), the first four ranks of the televisual revenue of media enterprises or conglomerates in the U.S. were still the four largest (terrestrial) television networks (or enterprises): the first was CBS (USD 12.579 billion), the second the ABC (USD 7.512 billion), the third the NBC (USD 5.79 billion) and the fourth was Fox (USD 3.64 billion).

5.1.2.2 The (Commercial) Cable Television Market

The development of cable television in the U.S. started in the remote and mountainous terrain of Tuckerman, a town in the state of Tennessee. In November 1948, in a bid to achieve clearer television programmes, the residents of Tuckerman town[147] constructed the first coaxial cable in the U.S., symbolising the commencement of the development of cable television in America (Parsons and Frieden, 1998; Lu, 2003). After in excess of fifty years of development, by February 2005, 98 per cent of American families enjoyed cable television coverage. The total number of cable television systems[148] was 8,409. Cable television users totalled 73.219 million[149], occupying 66.8 per cent of all American television users (Zhou, 2006; W.B. Wang, 2006). By virtue of its hundreds of channels and rich content, U.S. cable television attracted vast numbers of viewing audiences of traditional terrestrial television: as well it put great competitive pressure on DBS. In this section I first concisely follow the development trajectory of the cable television in the U.S.; then, I analyse the revenue sources of America's commercial cable television systems; finally, I discuss the programme composition of American commercial cable television systems.

[147] Tuckerman town is located 140 kilometres northwest of Memphis, the largest city in the U.S. state of Tennessee.

[148] American cable television systems can be classified into two categories. The first is the simplex cable system, i.e. a facility serving a single community or a distinct government entity, each with its own franchise agreement with the cable company. The primary function of the simplex cable system is to transmit (or operate) (a) programmes of local (terrestrial) television stations; (b) programmes of non-local television stations (e.g. superstations); (c) programmes with advertising provided by cable programme networks; (d) programmes of local cable television stations' home-made channels, public information channels and community television channels; and (e) programmes of pay cable television channels and premium channels. Programmes of the five above categories (a-e) will be analysed in detail in the later part 'the programme composition of American (commercial) cable television systems'. Most American cable television systems belong to this category, i.e. the simplex cable system. The second category is called a multiple system operator (MSO), i.e. an operator of multiple cable television systems. Generally, any cable company that serves multiple communities and government entities is an MSO. The term 'MSO' in this thesis is reserved for companies in the U.S. that own a very large number of cable systems, such as Comcast Cable Communications and Time Warner Cable. In 2000 there were 214 nationwide MSOs in the U.S. (Compaine and Gomery, 2000; Ming, 2005; Lu, 2003; National Cable & Telecommunications Association, 2007).

[149] The number of American cable television users ranks second in the world, i.e. China has the world's highest number of cable television users (128.42 million) (Zhou, 2006).

(1) The Development Trajectory of Cable Television in the U.S.

There are many different versions of the development trajectory of cable television in America. According to Parsons and Frieden (1998) and Lu (2003), it can be divided into three stages. The first stage began with the emergence of cable television in the U.S. (from 1948 to 1975): this was called 'the stage of marginal development[150]'. The remarkable feature of this stage was that cable television became the favourite of many audiences in remote and mountainous areas, bringing them much clearer television programmes. However, in the face of strong competition from the terrestrial television, the FCC's strict restrictions, the limitations of the sole development pattern, and the external economic conditions affecting the U.S. during this period, and despite an increase in user amount and audience market share of the cable television industry, its entire scale and market value lagged far behind the terrestrial television industry. The second stage, which spanned 1975 to 1996, saw the introduction of the *Telecommunications Act of 199*6, which was called 'the stage of pay cable television development[151]'. Since 1975, the FCC had gradually relaxed the restrictions on

[150] The emergence of cable television in the U.S. was originally to compensate the regions which the terrestrial television signal could not cover. In the early 1950s, areas where over-the-air reception was limited due to distance and mountainous terrain, large 'community antennas' were constructed. Cable was run from these antennae to individual homes. In this way, the terrestrial television signal received by individual television users was very steady; both picture and sound were quite clear. Cable television quickly gained the favour of many audiences in these remote and mountainous areas. American cable television, in its early stage, was called Community Antenna Television (Hilmes, 2003b; Ming, 2005). The transmission of cable television in this period mainly depended on the pattern of microwave (or airwave) plus coaxial cables. However, reliance upon the sole approach of transmitting much clearer television programmes to develop cable television was far from adequate. During this period, although the cable television (industry) saw a degree of development, and user amount and audience market share to some extent increased, its entire scale lagged far behind the terrestrial television industry, primarily for the following three reasons: First, the cable television development pattern was too limited, and mainly applied to solving the problem of the clarity of television programmes in remote and mountainous areas. This located cable television on the fringe of the television transmission market in the U.S. Second, in their bid to resist competition from cable television, (commercial) terrestrial television networks actively canvassed the FCC to strictly restrict the number of distance cable television signals or channels that could transmit to relatively large markets. In the case of the pay cable television systems that appeared later, the FCC prohibited the showing of movies prior to ten years following screening in cinemas. Sports programmes broadcast by (commercial) terrestrial television networks were limited to 5 years. As a result, cable television systems were relegated to the edge of the programme provision market in the American television industry. The last reason was related to the macroeconomic climate in the U.S. during this period. At the time, bank interest rates rose continually. Lacking profitability, the capital attraction of cable television systems lagged behind that of the terrestrial television networks, which relegated cable television to the fringe of the capital market in the American television industry and affected the construction and development of cable television (industry) from the capital aspect (Parsons and Frieden, 1998; Lu, 2003; Hilmes, 2003b).

[151] In 1975, the publishing baron 'Time' (today's Time Warner Inc.) invested 75 million U.S. dollars in transmitting the signal of its subordinate HBO (Home Box Office) – the premium television programming to its regional licence operators in the U.S., i.e. local cable television (system) operators via Satcom 1 (the world's first geostationary satellite). Then, these operators retransmitted the HBO programmes to their subscribers. In this way, HBO changed from a pay-per-view (PPV)

cable television, notably restrictions on cable television transmission and the introduction of distance terrestrial television channels and programmes. In addition, the introduction of satellite transmission into the cable television industry facilitated the establishment and rise of today's cable-satellite transmission networks. At this stage, the strength and scale of the cable television industry progressively expanded, concomitant with a rapid increase in user numbers and audience market share. When the *Telecommunications Act of 1996* was implemented, there was an improvement in digital technology; as well, this period saw its comprehensive application to cable television. Now the market structure of the cable television industry underwent change, projecting the American cable television industry into its third stage – 'the stage of restructuring industry[152]' (from 1996 to the present). Nowadays, although the total

cable television channel to a subscription cable television channel with a 24-hour pay television service. The 'satellite-cable' transmission pattern of signals used by HBO greatly reduced the cost of cable television transmission; this facilitated the quick development of pay cable television in America (Parsons and Frieden, 1998; Lu, 2003; Hilmes, 2003b). By the end of the 1970s, there were several nationwide entertainment channels or movie channels in the cable television industry competing with HBO, e.g. 'Showtime' and 'The Movie Channel (TMC)'. There were also many pay television channels or pay thematic channels that targeted diversified audiences and superstations, i.e. a television broadcast station, other than a network station, licenced by the FCC that transmitted television programme or signals via satellite to local cable television systems (or was secondarily transmitted by a satellite carrier) (1998; 2003; 2003b). At this stage, driven by the rapid increase in the number of pay cable television users, the cable television industry rapidly expanded. However, during the 20 years from 1975 to 1996, because of the rapid increase in income (especially from advertising) and the continual decrease of pay cable television's subscriptions, the total revenue of pay cable television saw no significant enlargement although the number of pay cable television users had increased substantially. Furthermore, the income proportion of pay cable television in the total revenue of the American cable television industry declined. This phenomenon becomes more apparent in the next stage, 'the stage of restructuring industry'.

[152] In 1996, the *Telecommunications Act of 1996* was passed in the U.S. One important item of this Act is permission for the conditioned opening between the telecommunication industry and the cable television industry. For example, telecommunication companies are allowed to operate cable television business in regions where they are not a telecommunication service provider or in regions where the population is less than 35,000 (irrespective of whether or not they are telecommunication service providers) (Wang, 2003; Parsons and Frieden, 1998). The implementation of the *Telecommunications Act of 1996* immediately induced a tide of mergers and acquisitions in the U.S. television industry. With the restructuring of the American cable television industry and the comprehensive application of digital technology to cable television, the market structure of the cable television industry changed, pushing the cable television industry into the third stage – 'the stage of restructuring industry'. In the spring of 1997, Microsoft Corporation purchased 11.5 per cent of the stock of the country's largest cable television company and the second largest internet service provider in the U.S. – Comcast Corporation for one billion U.S. dollars. According to statistics compiled by the National Cable & Telecommunications Association (2007), by June 2007, Comcast Corporation had become the largest cable television company (or MSO) in the U.S. with approximately 24.141 million subscribers. This action attracted large numbers of investors and an average 47 per cent increase in the stock of American cable television firms: Comcast Corporation's stock rose 82 per cent. The following year, 1998, was the peak year of the restructuring of the American cable television industry. Many famous American telecommunication tycoons (e.g. AT & T Inc.) joined in this surge of mergers and acquisitions. In 1999, 119 cable television systems were merged or purchased: the transaction amount reached 62.29 billion U.S. dollars (National Cable & Telecommunications Association, 2007; Lu, 2003). Following the mergers, acquisitions and integrations, by 1999-2000, the American cable television industry had been thoroughly restructured. Some huge corporations or multiple system operators (MSO), which crossed both telecommunication and cable television industries emerged in the U.S. For example, by June 2007, the first three MSOs were Comcast Corporation (with approx. 24.141 million subscribers), Time Warner Cable (approx. 13.391 million subscribers) and Cox Communications (approx. 5.424 million subscribers) (National Cable & Telecommunications Association, 2007). Meanwhile, the restructuring of the cable television industry and the comprehensive application of new technology (e.g. digital technology, optical fibre, network and satellite technology) brought changes to both the market structure and revenue composition in the American cable television industry. The changes in the market

revenue, advertising income, audience ratings and market share of cable television still lag behind that of traditional terrestrial television, cable television provides an increasing drive towards – and plays a more important role in – the development of the entire television industry in the U.S. Concomitant with the developments of the times and improvements in technology, the integration of cable television and the terrestrial television is proceeding. Many media corporations, such as Time and Warner have merged into larger multimedia conglomerates or groups incorporating cable television, terrestrial television and internet services.

(2) Revenue Sources of American (Commercial) Cable Television Systems

As outlined previously, the thousands of cable systems in the U.S. can be classified into two categories: simplex cable system and multiple system operator (MSO). In line with the specific situation of each cable television system, the revenue sources of the cable television industry in the U.S. are diverse. In the following section I analyse the income sources of Time Warner Cable, a typical MSO in the U.S., in order to understand the various revenue sources of American commercial cable television systems.

structure were visible in the increasing degree of its concentration and monopoly of the American cable television market. For example, from 1996 to 1999, the market share of the top ten MSOs in American cable television market rose to 83.3 per cent from 68.5 per cent (Compaine and Gomery, 2000; Lu, 2003). This directly reflected the intense competition of markets. At the same time, the changes in revenue composition of the cable television industry in the U.S. were also obvious. In 1996, the total revenue of the American cable television industry was 285 billion U.S. dollars, of which basic subscriptions totalled 178 billion U.S. dollars, premium income 49 billion U.S. dollars, and other income (mostly advertising income and to a lesser degree from televised home shopping, cable broadband and other television services' commission charges) reached 58 billion U.S. dollars. The proportion of basic subscription, premium income and other income (mainly advertising) in the total revenue was 62.46 per cent, 17.19 per cent and 20.35 per cent respectively. Four years later, in 1999, the total revenue of the cable television industry in the U.S. was 369.2 billion U.S. dollars, of which basic subscriptions accounted for 231.5 billion U.S. dollars, premium income 49.3 billion U.S. dollars, and other income 88.4 billion U.S. dollars. The proportion of basic subscription, premium income and other income (mainly advertising) of the total revenue was 62.70 per cent, 13.35 per cent and 23.95 per cent respectively. The above statistics show that the proportion of basic subscription in the total revenue of the American cable television industry remained the same, while the proportion of premium income declined to some extent. The proportion of other income, including advertising (the most part) and televised home shopping, cable broadband and other television services' commission charges, increased gradually. All of the above demonstrated the degree of pluralism vis-a-vis cable television functions and the diversified development tendency of the U.S. cable television industry (Compaine and Gomery, 2000; Lu, 2003).

According to Parsons and Frieden (1998), Zhong (2003) and Ming (2005), in the year 2000, the total revenue of Time Warner Cable was approximately 13 million U.S. dollars, revenue that mainly accrued from five sources: (a) *Subscriptions* (usually a monthly fee), which represent the basic and most important income source of each American cable television system. To meet the particular consumption demands and financial ability of subscribers, Time Warner Cable has established three levels of subscriptions[153]: the 'basic cable/subscription (package)[154]', the 'standard cable/subscription (package)[155]' and the 'premium subscription or premium channels[156]'. This pattern of multi-level subscriptions can be well used to serve America's varied audiences and to meet their diverse demands. For example, audiences who have limited leisure time – or those who want to (or may have to) spend the minimum amount of money on watching cable television – can choose the 'basic cable/subscription (package)'. Audiences who are prepared to spend time and money on cable television may choose the 'standard cable/subscription (package)' or 'premium subscription or premium channels'; (b) *Commercial advertising*, which is the second largest source of revenue for most cable systems in the U.S.: Time Warner Cable is one example. Time Warner Cable provides advertisers with opportunities to broadcast commercial advertising over some of the nation's more popular nationwide cable programme networks, such as Cable News

[153] The three levels of subscriptions of Time Warner Cable are only applicable to digital cable television (DCT) services, not to analog cable (ACT) services.

[154] At this level, subscribers can receive over twenty of the most common television channels, including channels of the major terrestrial television networks (ABC, NBC, CBS and Fox), local terrestrial television stations, local cable television systems, and some cable programme networks, for an average fee of 12 U.S. dollars per month (Parsons and Frieden, 1998; Ming, 2005).

[155] At this level, subscribers who spend approximately 39.95 U.S. dollars per month can receive not only in excess of twenty television channels of the 'basic cable/subscription (package)' but also more than seventy television channels (mainly the thematic channels) of most American cable programme networks. The total number of television channels that subscribers can view is approximately one hundred (Parsons and Frieden, 1998; Ming, 2005).

[156] At this level, Time Warner Cable supplies more entertainment, sports, music, commercials, and financial and economic programmes, 'hot' television series, and latest movies. As well, it provides extra interactive services. When one item of service is added, 12.50 U.S. dollars, the premium subscription, will be added to the 'basic cable/subscription (package)' (USD 12) or the 'standard cable/subscription (package) (USD 39.95). For every two items of services added, an additional fee of 21.50 U.S. dollars will be paid. For every three items of services added, an additional fee of 28.50 U.S. dollars will be paid (Parsons and Frieden, 1998; Ming, 2005).

Network (CNN), Entertainment and Sports Programming Network (ESPN), Lifetime Television (LIFE), Turner Network Television (TNT). The cost for broadcasting commercial advertising over each cable programme network differs, and requires consultation with each individual cable programme network. Time Warner Cable has a 'home-made' channel – Channel 17 – which also broadcasts commercial advertising; (c) *Pay-per-view (PPV)*, is a particularly important source of revenue for Time Warner Cable and for many other MSOs as well. In recent years, with the improvement of technology and the diversification of cable television content (increased number of movies, television series and documentaries for selection), the proportion of PPV in the total revenue of Time Warner Cable – indeed for almost all MSOs – has rapidly risen; (d) *Lease channels*: Time Warner Cable's channel 90 is a lease channel. All of its broadcasting time is rented (or sold) to advertisers, who arrange the broadcasting content. Lease channels in the main broadcast television commercials or advertisements, i.e. infomercials; (e) *Programme production*: Time Warner Cable produces training videos, low cost television programmes, and infomercials. As well it engages in activities such as live broadcasts.

The five parts together compose the total revenue not only of Time Warner Cable but of most of the cable television systems in the U.S. However, the expenditure associated with cable television systems is very high: this includes high investment in hardware construction[157] and the high cost of producing television programmes[158].

[157] Hardware construction is a high investment business in the U.S. In order to compete with telecommunication firms, many cable television enterprises have had to invest a lot of money in cable network (e.g. fibre) laying.

[158] In the U.S., the cost of the script, the shoot, editing and promotion of a television programme is very high. Thus not every television programme is profitable. Investors have to take into account the risk of failure associated with the selling or broadcasting of their programmes.

(3) Programme Composition of American Commercial Cable Television Systems

The above is an analysis of the revenue sources of American commercial cable television systems. This section addresses the programme composition of American commercial cable television systems by introducing the typical MSO – Time Warner Cable's mode of programme composition. According to Parsons and Frieden (1998), Walker and Ferguson (1998), Compaine and Gomery (2000) and Zhong (2003), Time Warner Cable's programmes include five primary compositions: (a) programmes of local terrestrial television stations[159], (b) programmes of non-local television stations (superstations[160]), (c) programmes with advertising provided by cable programme networks[161], (d) programmes of local cable television stations' home-made channels, public information channels and community television channels[162], and (e) programmes of pay cable television channels and premium channels[163].

[159] In terms of the requirements of the FCC, cable television systems must transmit signals or relay channels of local (terrestrial) television stations that have a certain audience. The term 'have a certain audience' refers to situations in which the television signal or channel is viewed by at least two per cent of audience in a given community. In the U.S., the local (terrestrial) television stations in different areas have distinct channel amounts. For example, residents living in New York City can receive twelve local (terrestrial) television channels such as the local (terrestrial) television channels of Manhattan and Long Island (Compaine and Gomery, 2000; Zhong 2003).

[160] Superstation is a television broadcast station other than a network station and licensed by the FCC that transmits television programmes or signals via satellite to local cable television systems (that is a secondary transmitter with a satellite carrier). For instance, WPCH-TV (the former WTBS), a superstation in Atlanta, Georgia, is owned by the Turner Broadcasting System subsidiary of Time Warner. Its programmes are transmitted via thousands of cable television systems in the U.S. and viewed by sixty million American families (Parsons and Frieden, 1998; Zhong 2003).

[161] Programmes with advertising provided by cable programme networks carry the highest content that subscribers of 'basic cable/subscription (package)' and 'standard cable/subscription (package) can receive. In line with agreements, each cable programme network charges its cable television systems a certain amount of money (usually one or two U.S. dollars per subscriber per month) according to the number of a cable television system's subscribers. Cable programme networks sell the advertising slots on their programmes (or channels) nationwide or to regional advertisers through agents. In addition, the local cable television systems are allocated a certain proportion of advertising spots on cable programme networks' programmes (or channels) they manage themselves. Most cable programme networks channels are 'thematic channels', i.e. programmes are usually highly professional and have obvious targets. These thematic channels include the various categories listed below: news (CNN, FNC and MSNBC); politics (C-SPAN); entertainment and sports (A&E, ESPN and TNN); finance and economy (CNBC); music (MTV); science, documentaries and education (Discovery and National Geographic Channel, and History and Learning); shopping (VALUE and HSN); travel (TRAVEL); health (HEALTH); cooking (FOOD); female (Lifetime); children (Cartoon Network and Nickelodeon/Nick at Night); and weather forecasts (Weather) (Parson and Frieden, 1998; Walker and Ferguson, 1998; Zhong 2003).

[162] Many local cable television stations both make their programmes and run the channels themselves. The programmes they produce are mostly local news and classified advertising. Home-made channels are mainly local, community or public information channels. Sometimes, the local cable television station channels will broadcast self-made programmes, i.e. programmes made by certain groups and individuals (Walker and Ferguson, 1998; Zhong 2003).

[163] These premium channels are mostly movie channels such as HBO, CINEMAX, and The Movie Channel (TMC). In recent years, premium channels have gradually diversified; besides movies, they also broadcast sports and variety shows such as concerts and comedy shows (Zhong, 2003).

The programme composition of Time Warner Cable clearly represents the specifics of programme composition of American commercial cable television systems, that is, diversity, specialisation, objectivisation and audience-division. By dint of rich content, commercial cable television systems have managed to 'grab' the television audience market share in the U.S., strongly impacting traditional terrestrial television as well as putting tremendous competitive pressure on DBS.

5.1.2.3 The DBS Market

Direct Broadcast Satellite (DBS) has captured the third most important commercial television market in the U.S., succeeding both terrestrial and cable television[164]. Compared with terrestrial and cable television, the technical advantages of DBS are: wider service cover, more direct transmission to audiences, minimally affected by terrains and more steady and credible pictures. However, one obvious disadvantage of DBS is that it is easily influenced by weather, especially storms and heavy cloud layers. During such times, the DBS signal received by subscribers is quite weak and unsteady; picture and sound can only be heard intermittently (Hilmes, 2003b; Lu, 2003).

In 1962, DBS technology was put on hold in the U.S.; it was not until 1994 that the dream of DBS direct-to-home (DTH) came true. In 1994, DirecTV, America's first (as well as the

[164] As mentioned previously in Chapter Four (4.2), the term 'direct broadcast satellite (DBS)' covers analog television, digital television, and radio. It is also extended to other services provided by modern digital television systems such as interactive features and video-on-demand (Huang, Zhou and Song, 2002). The term 'DBS' in this thesis chiefly expresses the digital satellite services involving the transmission of DTV and the relevant extended services. From the technical angle, DBS companies transmit television signals via geostationary satellite directly to subscribers who have in place a satellite receiver or antenna (a fixed 18-inch diameter dish antenna to receive signal). Subscribers can view programmes through a set-top box (STB), i.e. a device that connects to a television and to an external source of signal, turning the signal into content which is then displayed on the television screen (Hilmes, 2003b; Lu, 2003).

world's first) DBS company was founded. Initially, cable television operators thought that only residents in remote or mountainous areas, who could not connect to cable television networks, would subscribe to DBS. To this end, they did not consider DBS a threat. However, concomitant with the improvement of digital technology, DBS supplied more channels and content, richer services, and higher quality pictures and sound than ever before. And because the DBS subscription was almost equal to that of cable television, original cable television subscribers progressively opted to become DBS subscribers. In 1998, the number of DBS subscribers in the U.S. reached 8.3 million, having increased approximately 1.5 times compared to the 3.3 million recorded in 1995 (Parsons and Frieden, 1998; Ming, 2005). According to statistics produced by *iResearch* (2007), by the end of 2006, DBS subscribers numbered over 29.6 million in the U.S., accounting for approximately 26.52 per cent of America's 111.6 million television users. Competition between cable television and DBS had become increasingly fierce[165].

So why is it that DBS developed so vigorously over the past 10 years and captured much of the audience market share from American terrestrial and cable television? Why was there such fierce competition? There were two chief reasons: first, DBS has relatively more content and services than analog or digital terrestrial and cable television[166]; second, the cost of subscription for DBS is almost equal to that of cable television. For a similar subscription rate,

[165] At the same time as competition was rife between cable television and DBS, competition inside DBS was also fierce. Prior to 1997, America's DBS industry comprised four primary firms: DirecTV, United States Satellite Broadcasting (USSB), PrimeStar and EchoStar Communications Corporation (EchoStar). However, during this period of competition, DirecTV successively acquired USSB for 1.3 billion U.S. dollars in 1998 and PrimeStar for 1.83 billion U.S. dollars in 1999. Nowadays, the DBS market in the U.S. is monopolised by DirecTV and EchoStar, which between them own more than 90 per cent of the total revenue of the American DBS industry (Ming, 2005; Lu, 2003). According to statistics produced by *NHK 2005 Annual Report of Radio and Television in the World*, by September 2005, DirecTV had 14.933 million subscribers. Its yearly income was 11.77 billion U.S. dollars and its earnings before interest and taxes (EBIT) reached 477 million U.S. dollars. In January 2005, EchoStar had over 11 million subscribers. Its yearly income and EBIT was 8.178 billion and 1.117 U.S. dollars respectively (Zhou, 2006).

[166] In line with the latest digital technology, DBS can provide a maximum of 225 channels: basic channels, thirty premium channels, some PPV channels, with the pictures and sound of all channels clearer and steadier.

DBS provides a greater range of content and services to its subscribers[167]. However, DBS also has its weaknesses. For example, subscribers have to pay an extra 5.99 U.S. dollars per month if they want to receive the local terrestrial television stations' channels. Cable television subscribers are not required to pay this additional charge. Moreover, the cost of purchasing and installing the DBS receiver or antenna has to be undertaken by subscribers themselves[168] (Ming, 2005; Parsons and Frieden, 1998; Zhong, 2003).

Irrespective of the above, over the past ten years the DBS market in the U.S. has continued to develop rapidly. Recognising a bright financial prospect, many media conglomerates or groups have tried to enter or have already entered into this vast market. The rapid rise of DBS in America has halted the competition between terrestrial and cable television. In the future, the American television industry will comprise three powers: terrestrial television, cable television and DBS, all struggling for hegemony. As is the case of Rupert Murdoch's News Corporation, more American television networks, firms and groups will become multimedia enterprises that promote terrestrial television, cable television, DBS, film, newspapers and magazines, book publishing and Internet services.

[167] Taking DirecTV's subscription, for example (compared with Time Warner Cable's subscription rate, a typical U.S. MSO, to which I have referred in section 5.1.2.2 of this chapter), its subscription also has three levels: (a) Level one is the 'basic subscription (package)'. At this level, subscribers receive about 50 channels from cable programme networks, which costs approximately 21.99 U.S. dollars per month. Although it costs ten U.S. dollars more than Time Warner Cable's basic cable/subscription (package) per month, the subscribed channels have doubled; (b) The second level is 'standard subscription (package)': subscribers can receive approximately 105 channels from cable programme networks by paying around 31.99 U.S. dollars per month. Obviously, DirecTV subscribers pay eight U.S. dollars less than Time Warner Cable subscribers at the equal level, i.e. 'standard cable/subscription (package)' per month. But, they receive more channels; (c) The third level is the 'premium subscription or premium channels'. At this level, DirecTV subscribers paying an extra 10 to 43 U.S. dollars per month (i.e. approximately USD 41.99 to USD 74.99 per month) can receive the maximum number of channels including the latest movies, popular entertainment and sports programmes, 'hot' television series, some financial and economic channels, as well as VOD service (mostly movies and sports programmes). DirecTV's content, service, subscription and PPV charge for 'premium subscription or premium channels' is almost the same as that of Time Warner Cable (Ming, 2005; Zhong, 2003; Zhang; 2004).

[168] In recent years, the cost of purchasing and installing a DBS receiver or antenna has become cheaper; in the U.S. today it is usually less than 200 U.S. dollars. In some places, the provision and installation of DBS receivers or antennae during the promotion period is free of charge (Parsons and Frieden, 1998; Zhong, 2003).

To summarise, taking into account the fact that commercial television in the U.S. is not perfect – and that many weaknesses have plagued its development process – there are still some aspects of its development that are worthy of being studied by China's television industry. These include completed administration, supervision and justice systems, a relatively free and fair competition environment, mature markets and market operations, and diversity and pluralism vis-a-vis the development of television enterprises or conglomerates. All of these aspects will be addressed in the discussion that appears in Chapters Six and Seven, in which I explore the problems extant in the process of television development in China and the corresponding reform strategies and development prospects of China's television industry. In the next section focus will shift to an analysis of public television in the U.K.

5.2 Public Television in the U.K.

The U.K. was the first country in the world to broadcast television. Experimental television broadcasting commenced in 1932 with the founding of the world's first television station. Regular television broadcasting started in 1936. Although the U.K. and the U.S. belong to the same western cultural circle and share basic values and notions, there are notwithstanding some differences in the value tendencies and ideas concerning social, economic and cultural development. Accordingly, the television industries of the two nations initially developed in two distinctly different directions. The American television industry tended more towards developing commercial television driven by markets; the British television industry actively chose to develop public television under the influences of two fundamental principles: television broadcasting would be a "utility … developed as a national service in the public interest" (Scannell and Cardiff, 1991, p.8); for it was "perceived by politicians as far too

important to be handed over to uncontrolled commercial interests" (McNair 1996, quoted in Kŭng-Shankleman, 2000, p.71).

By the end of the 1980s, public television in the U.K. and other European nations (e.g. Germany, France, Sweden and Denmark) was being challenged by commercial television. Many countries had to pursue policies of opening up their television markets to commercial television, introducing a competitive mechanism to break the monopoly of public television, a move that was to impact on public television heavily. However, the demise of public television did not occur due to the impact of commercial television (Creeber, 2003; Deng, 2003; Petley; 2006).

Even today the tradition of public television is still kept alive in the U.K.'s television system; take, for example, the British Broadcasting Corporation (usually known as the BBC). But here I will question how a public institution like the BBC maintains its energy in today's globalising commercial society? How is it able to provide high quality programmes for the U.K. listening public as well as for the multiple societies worldwide that access the BBC? This is the concern of scholars, academic institutions and governments. It not only shows the great importance attached to the social functions and influences of current public television institutions or enterprises but also exposes the special status of the BBC for viewers in the U.K. as well around the world. In this section, an analysis will be undertaken of the BBC as a typical example of the development and operation of public television. Three aspects will be considered: the development course of the BBC, the service tenet, ownership and corporate structure of the BBC, and BBC revenue sources. This should serve as a useful reference for

future public television development in China.

5.2.1 The Development Course of the BBC

In 1922, six telecommunications companies[169] combined to found the original British Broadcasting Company, the aim being to broadcast experimental radio services. Five years later, in 1927, the British Broadcasting Company became the British Broadcasting Corporation (the BBC) upon being granted a Royal Charter of incorporation. Since that time, the BBC has ceased to be privately owned. It runs as a public service broadcasting institution, financially maintained and supported by the compulsory payment of licence fees[170]. The BBC started experimental television broadcasting in 1932. In 1936, it emerged as the world's first television station and began to provide a regular television broadcasting service (known as the BBC Television Service). However, following the outbreak of the Second World War, television broadcasting was suspended from 1 September 1939 to 7 June 1946 (Creeber, 2003; http://www.bbc.co.uk/heritage/story/index.shtml).

After World War II ended (1945), British society started to question the monopoly of the BBC. Nine years later, the U.K. Parliament passed the Television Act 1954. Subsequently, The Independent Television Authority (ITA)[171] was created to supervise the establishment of

[169] The six telecommunications companies included Marconi, Radio Communication Company, Metropolitan-Vickers, General Electric, Western Electric, and British Thomson-Houston (Chessher, 2006).

[170] Licence fees are "essentially a tax, a universal levy paid by all households owning a television. It is the traditional means of financing for public service broadcasters, although most supplement licence-fee income with commercial revenues of some type" (Kŭng-Shankleman, 2000, p.48). The bulk of the BBC's revenue comes from the compulsory licence fee. The BBC also has other sources of income, e.g. the grant-in-aid for the BBC World Service from the Foreign and Commonwealth Office of British Government and some commercial income, i.e. income from certain commercial activities and from the overseas sales of its catalogue of programmes (British Broadcasting Corporation, 2006). More details regarding BBC revenue appear in section 5.2.3 of this chapter.

[171] The Independent Television Authority (ITA) (1954-1972) was responsible for determining the location, construction, building, and operating of the transmission stations used by the ITV network, as well as determining the franchise areas and awarding the franchises for each regional commercial broadcaster (Petley, 2006; Sendall, 1982).

Independent Television (ITV)[172], the U.K.'s first commercial television network. However, the establishment of ITV neither changed the status of the BBC nor the commitment of the British people to the network. While the BBC continued to receive praise, ITV on the other hand was subject to very heavy criticism for not providing enough quality programmes. In April 1964 the BBC was granted permission to establish a second television channel (BBC Two) and in 1967, the first colour television programmes were broadcast, courtesy of government support. In 1972, the British government decided to open up commercial television and radio broadcasting[173]. The *Sound Broadcasting Act 1972* gave the ITA the responsibility for organising, administrating and regulating the new commercial television and radio stations (or networks) in the U.K. and reconstituted the ITA as the Independent Broadcasting Authority (IBA). In 1973, two of Britain's earliest private radio stations were launched and commenced broadcasting in London. Since that time, the monopoly of the BBC over broadcasting in the U.K. has slowly diminished (Deng, 2003; Petley, 2006; Sendall, 1982; Sendall, 1983).

With the deregulation of the U.K. television market, as well as the introduction and application of digital and satellite technology over the last 20 years, the BBC has faced increased competition from the commercial sector, especially from cable television, satellite television and the newest digital television services. The BBC reacted by actively adjusting its business and development strategy and carrying out a series of internal reforms[174] in a bid to

[172] In September 1955, the BBC faced competition, from the commercially and independently operated television network – Independent Television (ITV), which is regarded as an advertiser-funded public service broadcaster or a public service network of British commercial television broadcasters (Petley, 2006; Deng, 2003).

[173] In the U.K., 'commercial' television (and radio) usually means television (and radio) funded by advertising rather than by licence fee or certain compulsory subscription like the BBC (Petley, 2006; Deng, 2003).

[174] The BBC's business and development strategy carried out a series of internal reforms involving various facets such as the condensation of the corporate structure, the retrenchment of management expenditure, the enhancement of working efficiency, improvement of the quality of productions and services, an increase in the proportion of commercial income from BBC

maintain its leading position and its ability to produce the finest programmes in the world television industry. At the same time, it sought to make the BBC world's most creative and trusted public television institution and programme producer (Lu, 2003; Hong, 2005). Nowadays, the BBC is still the largest broadcasting corporation in the world in terms of audience numbers and revenue (VeriSign, 2007). As the perceived classic paradigm of the public television operation system, the BBC guides the development and progress of public television in many countries worldwide.

5.2.2 The Service Tenet, Ownership and Corporate Structure of the BBC

In the U.K. one fundamental service tenet is observed throughout the radio and television industry; that is, just as radio and the television serve the public, they need to be supervised and restricted by the public. The BBC is the typical representation of this tenet. As the world's oldest public service broadcaster (PSB), the BBC "operates according to a clear public mandate, is financed by a universal licence fee, and broadcasts the traditional 'PSB' wide range of programming" (Kŭng-Shankleman, 2000, p.2). The British people in general see television and radio as having unprecedented power to reach mass audiences. Thus, too dangerous a medium to be left with unregulated commercial interests, the BBC "has always been accustomed to some level of protection against commercial forces and holds the dominant position in U.K. broadcasting"[175] (Kŭng-Shankleman, 2000, pp.2-3; Burns, 1977).

Commercial Businesses, participation in the competition and cooperation in the international television market, and digitalisation transformation of the entire corporation (Lu, 2003; Hong, 2005).

[175] Even today with the prevalence of commercial television, the BBC is still required by its charter to be free from both political and commercial influence and to answer only to its viewers and listeners. The most recent Royal Charter came into effect on 1st January 2007. Although it has created a number of important changes, the main purposes of the BBC's 'public services' or the BBC's prime function have not altered; that is, the BBC must display at least one of the following characteristics in its high quality, originality, innovation services: sustaining citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, representing the U.K.'s nations, regions and communities, bringing the U.K. to the world and the world to the U.K., helping to deliver to the public the benefit of emerging communications technologies and services, and taking a leading role in the switchover to digital television. Moreover, the BBC must demonstrate that it provides public value in all its major activities. This means that the BBC needs to be accountable to both parliament and the public for all its actions (Willis, 2006; http://www.bbc.co.uk/bbctrust/framework/charter.html). For a long period, the BBC used to be run by a board of governors appointed by the Queen or King on the advice of the government for a term of four years. On 1 January 2007, the Board of Governors was replaced by the BBC Trust (involving twelve trustees). Since then, the BBC Trust has overseen the BBC, being independent of BBC management and external bodies. The main roles of the Trust are to set the overall strategic

Nowadays, as a quasi-autonomous public corporation operating as a PSB incorporated under a Royal Charter that is reviewed every 10 years, the BBC's corporate structure consists of four chief sectors, as shown in Table 5.2.

TABLE 5.2 The corporate structure of the BBC

Four chief sectors	Main functions and subordinate bodies
Governance Unit	The administration of the BBC
Content Groups	The production bodies of the BBC -Journalism (incorporates News, Sport, Global News and Nations and Regions) -Vision (incorporates all television production) -Audio and Music (incorporates all radio production, music commissioning and BBC radio resources) -Future Media and Technology (incorporates New Media and Information and Archives)
Professional Services	The operation or specialisation bodies of the BBC -Strategy (the former Strategy and Distribution, and merged with Policy and Legal) -Marketing, Communications and Audiences -Finance -BBC Workplace (Property) -Human Resources and Internal Communications -BBC Training and Development
Commercial Groups	The commercial bodies of the BBC -BBC Resources Ltd -BBC Worldwide Ltd

Source: Deng (2003); Kŭng-Shankleman (2000)

direction of the BBC, including its priorities, and exercise general oversight of the work of the Executive Board. The Trust will perform these roles in the public interest, particularly in the interests of licence fee payers (http://www.bbc.co.uk/bbctrust/index.html).

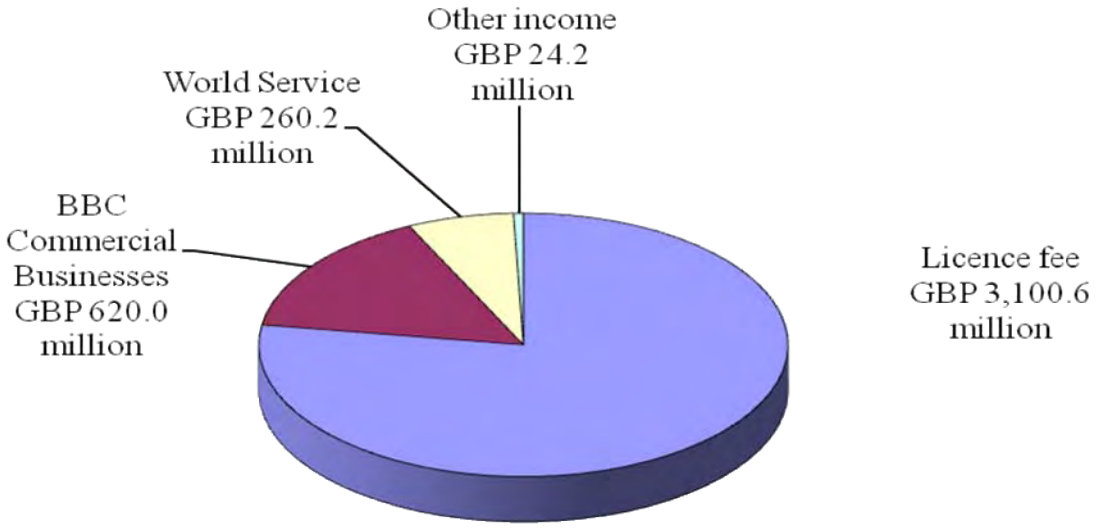
Nevertheless, one point that must be stressed is that while the BBC is independent of direct government intervention, it is only nominally an autonomous corporation. This is because all of the activities of the BBC are overseen by the BBC Trust, formerly the Board of Governors. Whether trustees or members of the former Board of Governors, these officials are/were appointed by the British Government. Furthermore, as a public service broadcaster incorporated under a Royal Charter, the BBC is required to be reviewed every ten years. Thus, the BBC is to some extent directly or indirectly influenced and guided by the British Government. Irrespective of this, compared with other PSBs in the world, the BBC is still a comparatively independent public corporation (Wang, 2002; Hong, 2005). For example, the principal part of BBC revenue still accrues from the compulsory licence fees collected from consumers (see section 5.2.3 of this chapter).

5.2.3 Sources of BBC Revenue

According to statistics produced by *BBC Annual Report and Accounts 2005/2006* (British Broadcasting Corporation, 2006), BBC revenue from 1 July 2005 to 30 June 2006 was 4,005 million British pounds[176] (GBP). There are four primary sources: licence fees, BBC Commercial Businesses, the World Service and other income, as shown in Figure 5.2.

[176] According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the British pound (GBP) on 30 September 2007 was 1:0.48860. This is regarded as the only exchange rate between USD and GBP in this chapter. 4,005 million British pounds = approximately 8,196.89 million U.S. dollars.

FIGURE 5.2 Total revenue of the BBC in the 2005/2006 financial year



Source: British Broadcasting Corporation (2006)

Figure 5.2 shows the BBC's total revenue for the year 2005/2006 financial year. The source of the highest income of 3,100.6 million British pounds[177] was the compulsory licence fee[178] collected from consumers (from all households owning a television set), which exceeded three-quarters of the total revenue. The second highest was 620.0 million British pounds[179] representing commercial income from BBC Commercial Businesses, e.g. income from the BBC's commercial enterprises and from the overseas sales of its catalogue of programmes. The source of the third income of 260.2 million British pounds[180] was the World Service; 239.1 million British pounds[181] from grants (primarily funded by grant-in-aid through the Foreign and Commonwealth Office), 15.8 million British pounds[182] from worldwide viewer

[177] 3,100.6 million British pounds = approximately 6,345.89 million U.S. dollars.
[178] The principal source of BBC funding is the television licence. The current annual cost for a colour television licence (as of 1 April 2008) is 139.50 British pounds (approx. USD 185.51) and 47.00 British pounds (approx. USD 96.19) for monochrome TV (black and white). The licence fee is charged on a family unit per household basis, which implies there could be multiple licences per household. The majority of UK domestic customers requires only one licence per household. The licence fee is used to fund the radio, television and internet services of the BBC (http://www.tvlicensing.co.uk/information/index.jsp#link2).
[179] 620.0 million British pounds = approximately 1,268.93 million U.S. dollars.
[180] 260.2 million British pounds = approximately 532.54 million U.S. dollars.
[181] 239.1 million British pounds = approximately 489.36 million U.S. dollars.
[182] 15.8 million British pounds = approximately 32.34 million U.S. dollars.

subscriptions, and 5.3 million British pounds[183] from other sources. The last amount of 24.2 million British pounds[184] is 'other' income, accrued by providing content to overseas broadcasters and from concert ticket sales (British Broadcasting Corporation, 2006).

The essential purposes towards which most of the BBC's revenue is channelled include (a) guaranteeing the fundamental tradition of the BBC, i.e. serving the nation and/or serving the public, as well as (b) ensuring continued provision of the BBC's high quality productions and services. Such a revenue arrangement excludes control of the private capital to public corporation, avoids low quality productions and services due to commercial competition[185], and limits direct government intervention. From a political perspective, political parties in the U.K. are not willing to let the BBC belong to any government, seeing it as detrimental to political opposition. Thus, the BBC, a PSB, is publicly owned, financially funded by the masses and supervised by the people; as well, it serves both the nation and the public[186].

From all accounts, the value of the BBC as a typical example of the development and operation of public television has gone beyond its existing meaning as only a public corporation. The paradigm of BBC repetition has not only deeply influenced the development of world public television but also has referencing value for future public television

[183] 5.3 million British pounds = approximately 10.85 million U.S. dollars.
[184] 24.2 million British pounds = approximately 49.53 million U.S. dollars.
[185] It is fact that in the current fierce competition climate, some television broadcasters have to make programmes that advertisers require in order to gain their business. Under such an arrangement, the quality of these programmes is difficult to guarantee.
[186] Since the last decade of the twentieth century, in order to confront increasing competition and challenge from commercial television, the BBC has had to extend its activities and businesses in the commercial sphere to confront both competition and challenge from commercial television. At present, 25 per cent of the programmes that the BBC broadcasts comes from independent programme producers. In the past, all programmes were produced by the BBC itself. Meanwhile, under the precondition that its domestic programming and broadcasts are chiefly funded by the levying of licence fees (basically no commercial advertising), the BBC augments its income percentage through commercial activities such as the sale of merchandise and programming. The BBC actively develops overseas (commercial) businesses through BBC Worldwide Ltd. The income from BBC Commercial Businesses and from the World Service has substantially increased over recent years; it is contributed in cash to the BBC's core public service business (Deng, 2003; Hong, 2005). As Kŭng-Shankleman (2000) states, nowadays the BBC is still "Britain's public service broadcaster and retains its culturally wide range of programming, offering choice for majority, minority and special groups. Its mission would continue as before, to inform, educate and entertain, and to reflect the national cultural identity and enrich it by sponsoring music, art and theatre. … At the same time, it should ensure that public funds are used efficiently and responsibly, continue with its programme of radical reforms and change initiatives, make further efficiency gains, and comply with tighter requirements to be introduced about feedback to parliament and the public" (p.76).

development (in particular television industrialisation reform in China). Currently, there is no unalloyed PSB in China. Perhaps someone should ask why CCTV does not consider having a PSB in China. When comparing the current system, policy and institutional arrangement of China's television industry with that of the U.K., and comparing the ownership, corporate structure and revenue of CCTV with that of the BBC, CCTV cannot be defined as a public corporation. Why is there no real PSB (like the BBC) in China? Is it essential for China to develop public television in the future? If the answer is yes, how should China achieve this? All of these issues regarding China's public television will be analysed and discussed in detail in Chapters Six and Seven.

Summary

In this chapter, I have analysed and discussed the typical systems of commercial and public television worldwide, commercial television in the U.S. and public television in the U.K. Based on the data gathered through the twenty-two in-depth interviews and three focus groups (involving twenty-six participants) conducted in China, the next chapter analyses and discusses the problems that surround the process of television development in China.