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## Chapter Six

### *Results and Discussion*

#### **6.0 Introduction**

China's television industrialisation, which has evolved during three decades of a socialist market economy system (1978-2008), has to a great extent been based upon learning and borrowing the experiences of the western developed countries' market economies, as well as on the development models of their television industries. There are three broad political economic areas of comparison between western and Chinese television broadcasting, viz. (ownership) systems and policies, organisational structures and administrative arrangements, and the market chain. Television (ownership) systems are determined by state policies that are products of the political system. Broadcasting organisational structures and administrative arrangements may arise from private, public or state structures and arrangements that in turn are determined by the television (ownership) system. The television market chain consists of capital, production, trading, broadcasting, consumption and investigating links. Which side is more fundamental, i.e. (ownership) systems and policies or the market chain, will depend on whether a society is economically or politically deterministic.

Based upon the data gathered from the twenty-two in-depth interviews and three focus groups (involving twenty-six participants) in China, this chapter aims to answer research Questions Three, Four, Five and Six. I first seek to determine the problems extant in China in both system and policy, the vertical organisational structure (mirroring state administrative areas)

and horizontal administrative arrangement (mirroring key agencies of governance), and the market chain of China's television industry. Then I discuss the primary reasons underpinning these problems. Following this, I explore the problems that retard the process of digital television development in China, and examine the primary factors that contribute to these problems. A small amount of secondary data will be quoted in this chapter in an attempt to furnish certain subsidiary answers to the four research questions. My analysis of commercial television in the U.S. and public television in the U.K. presented in Chapter Five provides the valuable referenced material that supports the writing of Chapter Six. This chapter comprises four sections: the problems extant (1) in the system and policy of China's television industry, (2) in the vertical organisational structure and the horizontal administrative arrangement of China's television industry, (3) in the market chain of China's television industry, and (4) in the process of digital television development in China. Each section consists of two substantive parts: 'results' and 'discussion',<sup>187</sup>.

The results presented in this chapter are based upon the responses and views of the twenty-two interviewees and the twenty-six participants of the three focus groups. The interviewees were classified into three categories: scholars, media practitioners and officials, which includes 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

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<sup>187</sup> Although it is unrealistic as well impractical to enumerate all the problems that exist in the development of China's television industry, the problems discussed in this chapter are typical, universal and representative, not individual causes or phenomenon. In the case of each problem, I mainly focus on analysis or discussion of the primary causes, essences and consequences. Relevant recommendations will appear in Chapter Seven.

respectively. Furthermore, I conducted 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<sup>188</sup> (see also Chapter Three). The primary purpose of choosing scholars, media practitioners and officials as interviewees, along with focus group participants, is to obtain various answers from their different perspectives, standpoints and positions. In particular, some interviewees and focus group participants have both academic and media backgrounds or both media backgrounds and official identities. Their answers are thus relatively comprehensive.

The twelve interview questions and nine focus group questions were formulated closely around the three core research concerns and the six research questions of this thesis<sup>189</sup>. The aim was to acquire relatively direct results for my doctoral study. Full details of these interview and focus groups questions have been attached in Appendixes C and D respectively. The responses and views of the twenty-two interviewees and the twenty-six participants of the three focus groups primarily concentrate in four aspects: (1) the system and policy of China's television industry, (2) the vertical organisational structure and the horizontal administrative arrangement of China's television industry, (3) the market chain of China's television industry, and (4) the process of digital television development in China. The summaries of these responses and views are presented as the main results of this doctoral research at the

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<sup>188</sup> 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.

<sup>189</sup> Full details of the three core research concerns and the six research questions of this thesis can be found in Chapters One and Three.

beginning of each section (i.e. sections 6.1, 6.2, 6.3 and 6.4) of this chapter. Discussions are offered following the results in each section, which aim to provide my own analysis, thoughts and perspectives vis-a-vis the aforesaid results. Relevant recommendations will appear in Chapter Seven (7.2).

## **6.1 The Problems Extant in the System and Policy of China's Television Industry**

The fourteen results presented in this section are based on the in-depth interviews conducted with Scholars A, B, C, D, F, G and H, Media Practitioners A, C, E, F, I and J, and Officials B and C as well as Focus Groups One, Two and Three. Following these results, a discussion centring on China's 'One Ownership – Three Operation Patterns' (OOTOP) (一元体制, 三元运作) television system and television policy making, content and implementation is provided.

### **6.1.1 Results**

(1) The television systems and policies of any nation are essentially determined by the country's political system<sup>190</sup>. The world's current television systems (or ownerships) can be categorised into three types: (a) state-owned (or government owned), (b) public, and (c) commercial television. However, in actual fact, today the television systems of most countries are admixtures of commercial, public and state-owned television<sup>191</sup>, three types of television systems that have different operational patterns (or roles or functions) in terms of their distinct ownership. State-owned (or government-owned) television's main function is one of political

<sup>190</sup> For example, the United States' political system determines the dominant position of its commercial television and the United Kingdom's political system has created the world's largest public service broadcaster – the BBC.

<sup>191</sup> The U.S. television system provides a typical example. It not only has many famous commercial television companies or corporations (such as ABC, CBS, NBC and FOX) occupying the dominant position in the U.S. television industry but also has the Public Broadcasting System (PBS) for the public and Voice of America (VOA) for political communication (Gomery, 2006).

communication involving both internal and external propaganda. State-owned television broadcasting institutions, as the nomenclature suggests, are usually funded or granted monetary assistance by the state or government. Almost every nation, state or government has a television system or television broadcasting institution representing its own voice<sup>192</sup>. Public television's main aims are to serve the masses and to voice the will and interests of the public. This form of television tends to be supported by revenue sources such as licence fees, government subsidies, public funds and individual or group donations<sup>193</sup>. As regards type three, almost all commercial (or profit-oriented) television broadcasting companies, corporations or systems are private, their primary purpose being to maximise capital and profit<sup>194</sup>. Thus television systems in western countries take the form of 'Three Ownerships – Three Operation Patterns' (TOTOP) (三元体制, 三元运作) (Scholar A, personal communication, Beijing, 11 January 2007; Scholar C, personal communication, Beijing, 12 January 2007; Focus Group Three, personal communication, Jinan, 25 December 2006).

(2) China's television broadcasting institutions, which mainly include 'television stations' and 'broadcasting and television stations',<sup>195</sup> are relatively particular. China's television industry functioned under a socialist command economy during its first twenty years, from the time of its naissance in 1958. It seemed reasonable to both the country and its leaders that all

<sup>192</sup> One of the most typical is the Voice of America (VOA) founded in 1942, which commenced broadcasting Chinese and Spanish television programmes in the second half of 1994 (Ming, 2005).

<sup>193</sup> For example, the principal means of funding the world's two best known public broadcasters – the British Broadcasting Corporation (BBC) and Nippon (NHK i.e. Japan Broadcasting Corporation), is through the television licence. As well, in the US there are public television broadcasting institutions (e.g. Public Broadcasting System (PBS)), which are funded by Congress, by government subsidies, or by individual or group donations (Tracey, 1998).

<sup>194</sup> The US, as the super empire of commercial television in the world, has a number of known commercial television enterprises, e.g. the American Broadcasting Company (ABC), Columbia Broadcasting System (CBS), the National Broadcasting Company (NBC) and the Fox Broadcasting Company (FOX).

<sup>195</sup> At present, all television broadcasting institutions in China are state-owned. These include fifty education television stations in 2005, approximately 2.19 per cent of the total amount of China's television broadcasting institutions. In this thesis, the term 'television broadcasting institutions' denotes 'television stations' and 'broadcasting and television stations' in general (if I do not indicate otherwise). More content regarding China's television broadcasting institutions (involving 'television stations', 'education television stations' and 'broadcasting and television stations') appears in Chapter Four.

television institutions should be state-owned at that time (also see Chapter Four). Since the reform and opening up of China that commenced in 1978, the television industry, like other industries in China, has commenced a process of industrialisation. However, throughout thirty years of reformation, China's television industry appears to have undergone no obvious change despite seeming to have embraced three operational patterns, i.e. political communication, public service and commercial, in line with the western television industry. All of the television broadcasting institutions in China continue to be state-owned and under the lead, command and supervision of the Party<sup>196</sup>, the policy of which states: (1) all television broadcasting institutions in China must be state-owned; (2) the right to lead, command and supervise the country's television broadcasting institutions is the sole prerogative of the propaganda department of the Party; (3) the government<sup>197</sup> administers the behaviour of television broadcasting institutions on the Party's behalf. Thus the current policy vis-a-vis the television system in China may be termed 'One Ownership – Three Operation Patterns' (OOTOP) (一元体制, 三元运作). 'One Ownership' denotes sole ownership, i.e. that all of China's television broadcasting institutions are state-owned (under the lead, command and supervision of the Communist Party). 'Three Operation Patterns' suggests that the three operational patterns of China's television broadcasting institutions comprise (1) political communication (e.g. propaganda); (2) public service; and (3) commercial (or profit-oriented) (Scholar C, personal communication, Beijing, 12 January 2007; Focus Group Two, personal communication, Jinan, 25 December 2006).

<sup>196</sup> In this chapter, the term 'party' implies the Communist Party of China (CPC) in general (unless indicated otherwise).

<sup>197</sup> In this chapter, the term 'government' means the Chinese government in general (unless indicated otherwise).

(3) The chief reason why China's television system is OOTOP rather than TOTOP as in the western countries is: China's OOTOP television system is essentially determined by China's fundamental political system, a 'One-party Dictatorship Socialist System' (ODSS) (一党执政的社会主义制度). Despite the 'reform of China's political system', that has been alluded to at every five year national congress of the CPC since the 1980s, in actual fact China's political system has seen little change. The ODSS seems always to remain intact. For this reason, the PRC is regarded as a communist state with a government that is (or has been) variously described as authoritarian, communist, and socialist. Rigid restrictions obtain in many areas, most notably in the mass media (e.g. the television and radio broadcasting, the press, and the Internet), in freedom of assembly, freedom of reproductive rights, and freedom of religion. ODSS is the most dominant factor that determines China's fundamental television system OOTOP. Under the ODSS, any latent 'independent forces', that are regarded as a threat to the Party's ruling status, can not exist. Television is viewed as one of these forces. At the same time, China's rulers want to see the smooth development – rather than radical change – of the television industry because of their expectations regarding social and political stability. They do not want any social upheaval during their period of rule. This is why all of China's television broadcast institutions are to date still state-owned, meaning that the fundamental television system of China is OOTOP. Nevertheless, concomitant with the expansion of China's reform and opening up, the economic effect on politics will become progressively obvious. In time, China's political system will implement certain reforms, at least to some extent<sup>198</sup>, reforms that will herald the transformation of the television system of

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<sup>198</sup> According to Scholar C (personal communication, Beijing, 12 January 2007), Scholar D (personal communication, Jinan, 18 December 2006), Official B (personal communication, Jinan, 26 December 2006) and Focus Group Two (personal communication, Jinan, 25 December 2006), as China's fundamental political system 'one-party dictatorship socialist system (ODSS)' is the fundamental guarantee for the CPC's ruling status in China, it can be predicted that ODSS will not see any essential change, at least not in the short or middle term. Thus it is unlikely that China's political system will be totally or

China, particularly its sole 'state-owned' television ownership. This may lead to the overall reform of various facets of China's television industry including policies, organisational structure and administrative arrangement, and the market chain. However, irrespective of if and how China's television industry undergoes reform, it can be predicted that China's fundamental political system (ODSS) will not see any essential change, at least not in the short or middle term. This implies that any reformation of China's television industry must obey the principles of ODSS and proceed within its framework (Scholar C, personal communication, Beijing, 12 January 2007; Scholar D, personal communication, Jinan, 18 December 2006; Media Practitioner A, personal communication, Beijing, 6 January 2007; Focus Group Two, personal communication, Jinan, 25 December 2006).

(4) The state-owned 'television stations' and 'broadcasting and television stations' use the money that they earn through commercial ventures first to work for the Party and the government, then to serve the public, and last to support themselves. The foremost task of China's television broadcasting institutions is to impose 'the will of the party' and 'the voice of the government' on the Chinese people (Scholar C, personal communication, Beijing, 12 January 2007; Scholar G, personal communication, Beijing, 7 January 2007; Media Practitioner I, personal communication, Beijing, 16 January 2007; Official C, personal communication, Jinan, 29 December 2006).

(5) As regards the requirements of political tasks and the direction of public opinion, China's television practitioners have to first avoid touching upon politically and morally sensitive



issues when producing their television programs (Media Practitioner C, personal communication, Jinan, 4 January 2007; Official C, personal communication, Jinan, 29 December 2006).

(6) To date there is no private television broadcasting institution ('television station' or 'broadcasting and television station') in China, which proves that the sole state-owned ownership of China's television broadcasting institutions has never changed (Media Practitioner E, personal communication, Beijing, 7 January 2007; Focus Group Two, personal communication, Jinan, 25 December 2006; Focus Group Three, personal communication, Jinan, 25 December 2006).

(7) Due to the fact that Chinese government can not afford huge television operating expenditure, the government has to allow commercial operations. This is not voluntary; it is 'a must' for the Chinese government (Scholar H, personal communication, Beijing, 10 January 2007; Focus Group One, personal communication, Jinan, 22 December 2006).

(8) With the deepening of economic reform, the absolute priority of political communication given to China's television broadcasting institutions has clearly become an acute problem that impedes the process of television development in China (Focus Group Three, personal communication, Jinan, 25 December 2006).

(9) The public service operational functioning of China's television broadcasting institutions has progressed both inadequately and slowly (Scholar A, personal communication, Beijing,

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11 January 2007).

(10) There are three primary factors that have retarded the introduction of a public service broadcaster (PSB) in China. First, China's ODSS does not tolerate the existence of any 'independent forces' that may be regarded as a threat to the Party's ruling status. Television is obviously considered one of these forces. Second, a marked lack of operational funding impedes both the establishment of a nationwide PSB and the development of public television in China. The third factor is the diversity of living standards, education levels and television viewing demands of the Chinese people in the country's different regions (Scholar A, personal communication, Beijing, 11 January 2007; Focus Group Three, personal communication, Jinan, 25 December 2006).

(11) China's commercial operation pattern faces two serious problems: (a) the 'excessive commercialisation' of China's television industry, and (b) the non-completion and immaturity of the market chain of the television industry (Media Practitioner J, personal communication, Jinan, 26 December 2006; Scholar B, personal communication, Beijing, 11 January 2007; Focus Group One, personal communication, Jinan, 22 December 2006).

(12) A phenomenon I will term 'official oriented' (官本位) is viewed as the biggest problem confronting television policy-making in China today. Under the influence of 'official oriented', many Chinese officials spare no effort in seeking personal promotion (Official B, personal communication, Jinan, 26 December 2006; Scholar F, personal communication, Jinan, 30 December 2006).

(13) China's television policy is fraught with two primary problems: the first involves the political dimension of television policy regulation and the economic dimension of deregulation; the second is that China's television policy contains much unscientific and impractical content (Official B, personal communication, Jinan, 26 December 2006; Scholar D, personal communication, Jinan, 18 December 2006).

(14) Two primary problems inhibit the implementation of China's television policy: first, there is a strong tradition of 'rule of man' (人治) in the country's television industry; second, China's television policy implementation is 'totally bureaucracy-led' (Scholar C, personal communication, Beijing, 12 January 2007; Media Practitioner F, personal communication, Beijing, 11 January 2007).

### **6.1.2 Discussion**

In this section, focus is upon the two areas of problems that persist in both the system and policy of China's television industry. First, I present a detailed analysis of the problems extant in the OOTOP. Second, I discuss some of the problems associated with television policy making, content and implementation.

#### **6.1.2.1 One Ownership – Three Operation Patterns (OOTOP)**

As suggested earlier in this chapter, the most essential distinction between the western and Chinese television systems is that the former follows 'three ownerships – three operation patterns' (TOTOP) while the latter follows 'one ownership – three operation patterns'

(OOTOP). The chief advantage of TOTOP is the clear and corresponding relationship between ownership and operational patterns. For example, state-owned television is mainly for political communication: public television chiefly serves the masses; and the purpose of commercial television is primarily one of capital and profit maximisation. In contrast, OOTOP is essentially what I will term a 'freaky' system, one which requires all of China's television broadcasting institutions (a) to undertake political tasks (e.g. political or ideological communication) at any time; (b) to fulfil their functions of public service (e.g. social education and imparting culture); and (c) to carry out economic tasks (e.g. gain commercial profit). However, China's television broadcasting institutions receive little financial support from either the Chinese government or the public: their role is to serve both the politicians and the masses. Almost all of the revenue that accrues to China's television broadcasting institutions comes not from government funds or subsidies, public funds, licence fees, or individual (or group) donations but from a variety of commercial television advertisements. From another perspective, because China's television broadcasting institutions cannot muster enough financial support from either the government or the public, the government has to open up commercial development space for them as well as allow them to carry out commercial operations. In this way the state-owned 'television stations' and 'broadcasting and television stations' use the money that they earn through commercial ventures first to work for the Party and the government, then to serve the public, and last to support themselves<sup>199</sup>.

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<sup>199</sup> Many scholars claim that the government can not afford the huge television operating expenditures. Hence, the government has to allow commercial operations. This is not voluntary; it is 'a must' for the Chinese government (Scholar H, personal communication, Beijing, 10 January 2007; Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Three, personal communication, Jinan, 25 December 2006).

The simple fact is, that to a large extent OOTOP impedes the development of the television industry in China. In the following section I analyse the three operational patterns of China's television broadcasting institutions under the OOTOP system, including political communication (e.g. propaganda), public service and commercial (or profit-oriented). Then I discuss the main problems that exist in these three operational patterns.

### *(1) Political Communication*

China is a 'one-party dictatorship socialist system' (ODSS) country. All of its television broadcasting institutions are state-owned<sup>200</sup>. Up until today, after thirty years of reform and opening up, Chinese television is still considered a tool of political propaganda and the mouthpiece of the Party, the government and the people<sup>201</sup>. However, the present official orientation of the television industry in China has changed to accommodate its dual attributes, i.e. its political (or ideological) and economic (or industrial) attributes. Nowadays in China, irrespective of whether they be CCTV, provincial or prefecture/city television stations, or county broadcasting and television stations, their first task is not profit maximisation, not to serve the public but one of political communication, i.e. to disseminate propaganda for the party and the government. In other words, the foremost task of China's television broadcasting institutions is to impose 'the will of the party' and 'the voice of the government' on the Chinese people.

<sup>200</sup> There is no private television broadcasting institution ('television station' or 'broadcasting and television station') in China to date, which definitely proves that the sole state-owned ownership of China's television broadcasting institutions has never changed (Media Practitioner E, personal communication, Beijing, 7 January 2007; Focus Group Two, personal communication, Jinan, 25 December 2006).

<sup>201</sup> In this Chapter, the term 'people' means the Chinese people in general (if not indicated otherwise).

During the 17<sup>th</sup> National Congress of the CPC in October 2007, the most important work for all of the country's television broadcasting institutions was to successfully disseminate propaganda, i.e. to report the spirit, tenets, content and decisions of the 17<sup>th</sup> Congress. Additionally, throughout the entire Congress proceedings, all television broadcasting institutions were required to create an harmonious and congratulatory atmosphere, to laud the 'great achievements' of the ruling party and the government over the past five years by transmitting large numbers of propaganda programs, shows and/or television series. This verifies the fact that all of China's television broadcasting institutions have first and foremost to discharge their 'voluntary' and 'free' political tasks (e.g. political or ideological communication). Only then can they consider carrying out their public service as well as their economic tasks (e.g. gaining commercial profit). In other words, economic objectives or tasks should always give way to political objectives or tasks.

The function of political communication of China's television broadcasting institutions also finds representation in its impact on China's television program production. As regards the requirements of political tasks and the direction of public opinion, China's television practitioners have to first avoid touching upon politically and morally sensitive issues when producing their television programs. Then they must take into account whether their productions are consistent with audience interests and have the potential to attract profit. Under conditions of having to avoid politically and morally sensitive issues, many of the television programs produced by China's television institutions fail to meet the expectations and progressively growing demands of China's television audiences. Thus the competitive and influential potential of China's television institutions is substantially reduced.

Many countries (including the U.S. and most western countries) have television agencies for ruling groups' or governments' political communication. However, as western countries' television systems are TOTOP, which means that there is a clear corresponding relationship between ownership and operational patterns, state-owned television is mainly used for political communication rather than state-owned television undertaking all three functions. Nowadays, in the case of China, with the deepening of economic reform, China's television broadcasting institutions have to give absolute priority to political communication. This has clearly become an acute problem that impedes the process of television development in China.

## *(2) Public Service*

In China, while to date there is no significant public service broadcaster (PSB) like the BBC or NHK, this does not mean that China's television broadcasting institutions have no public service function. As I suggested earlier when analysing OOTOP, the second operational function of China's television broadcasting institutions is to serve the public. This involves providing social education and imparting culture. In the interests of imparting China's long history and traditional culture, educating the public, and improving the people's literacy and basic skills, some of China's television broadcasting institutions (mainly CCTV) have produced educational documentaries including, for example, *Forbidden City*, *New Silk Road* and *The Rise of the Great Nations*. However, this small number of television productions is clearly unable to meet the 1.3 billion Chinese viewers' demands for public service. Concomitant with the gradual broadening of television marketisation, the public service

function of China's television broadcasting institutions has on the one hand to give way to political communication and on the other to undergo the increasing oppression of the 'excessive commercialisation' of China's television industry<sup>202</sup>. Under these circumstances, the public service operational functioning of China's television broadcasting institutions has progressed both inadequately and slowly.

Some Chinese scholars have suggested creating a nationwide PSB like the BBC, one that aims to serve the masses and to voice the will and interests of the public, a service that should be supported by multiple revenue sources such as licence fees, government subsidies, public funds and individual or group donations. This suggestion was discussed by the participants in the in-depth interviews and focus groups conducted in China. Based on their discussions and their analyses concerning public television in the U.K. (i.e. the BBC), three primary factors emerged proving that there is little possibility or feasibility of establishing a nationwide PSB in China today (and certainly not in recent decades). I will now explore the three dominant factors that have retarded the introduction of a PSB in China.

First, as outlined earlier in this chapter, China's ODSS does not tolerate the existence of any 'independent forces' that may be regarded as a threat to the Party's ruling status. Television is obviously considered to possess these forces. Hence, within such a restrictive political system, the establishment of an independent and free PSB, that could criticise the CPC's rulings and the government's work free from limitation and supervision, will definitely not be permitted (unless China's ODSS is subject to thorough reform). Second, a marked lack of operational

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<sup>202</sup> In a later section of this chapter, I analyse and discuss the 'excessive commercialisation' of China's television industry in detail.



funding impedes both the establishment of a nationwide PSB and the development of public television in China. In the case of BBC revenue, licence fees provide the highest income as well as the primary operational funding for the BBC<sup>203</sup>. However, in China, television viewers have no concept of paying a licence fee<sup>204</sup>. In addition, there are no specific government subsidies, public funds, or individual or group donations to support China's public television. In a situation such as this, the establishment of a nationwide PSB seems nigh impossible. The third factor is the diversity of living standards, education levels and television viewing demands of the Chinese people in the country's different regions. Compared with the minority of people living in the urban areas of China, the majority of people living in China's rural and remote mountainous areas express little demand for a public television service due to their relatively low living standards and poor levels of education. Thus there is a large imbalance in the demand for public television service between China's urban and remote areas. Whereas most urban residents may accept having to pay a television licence fee, it could prove very difficult for people living in China's more remote areas to meet the cost. Therefore, Chinese people's diverse living standards, education levels and television viewing demands to a great extent affect the establishment of a nationwide PSB.

The above three primary factors combine to impede both the establishment of a nationwide PSB and the development of public television in China. And while it seems impossible to establish a 'relatively ideal' PSB like the BBC in China today, this does not imply that China's television broadcasting institutions cannot adequately fulfil their public service functions. The

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<sup>203</sup> The relevant content about the BBC appears in section 5.2, Chapter Five.

<sup>204</sup> From the time that television was introduced in China in 1958, Chinese audiences have never been required to pay licence fees. They have been accustomed to watching free television. Thus, one can only imagine the great difficulty that would surround Chinese viewers being suddenly required to pay licence fees.

relevant recommendation for developing public television in China will be offered in Chapter Seven (7.2).

### *(3) Commercial Operation*

Throughout thirty years of socialist market economy reform, the commercial operation pattern of China's television broadcasting institutions has become the most prominent feature of marketisation and industrialisation reform under the OOTOP system compared with the other two patterns of political communication and public service. Today, this commercial operational pattern faces two serious problems: (a) the 'excessive commercialisation' of China's television industry, and (b) the non-completion and immaturity of the market chain of the television industry. The second problem will be discussed in section 6.3 of this chapter under the sub-title 'The Problems Extant in the Market Chain of China's Television Industry'. In the section below, focus is on the 'excessive commercialisation' of China's television industry.

The excessive commercialisation of China's television industry is directly linked with the country's political, economic and social circumstances. China is undergoing a transition period, a changing process from a socialist command economy to a socialist market economy that is impacting Chinese society in its entirety. How has this period of dramatic change resulted in the excessive commercialisation of the television industry? There are two primary aspects:

First, the government's primary focus is on high-speed economic growth. Currently, the achievements of both the government and officials of any given political territory in China are generally judged by the sole criterion of gross domestic product (GDP). Achieving high-speed economic growth has become the core goal of government and officials at all political levels. Spurred on by the government, various sections of society, including the people, spare no effort to pursue economic interests and profit maximisation. Within these social circumstances, China's television broadcasting institutions have survived, dependent on commercial television advertising and seeking the maximum economic benefit and profit after first fulfilling their political function. However, the above circumstances have fuelled competition and a scramble for China's limited commercial advertising sources and clients. And by investing in more commercial advertising, China's television broadcasting institutions' focus shifted to blandishing advertisers rather than acknowledging their responsibility to serve the public. As a result, today's Chinese television screens are filled with excessive commercialisation. The public service function of television in China has been almost forgotten in the process.

Second, China's television broadcasting institutions have had to confront severe survival and development pressures. As suggested in Chapter Four (4.1), all of the present broadcasting institutions have transformed from the original socialist command economy system, during which time they were fully supported by government finance and never needed to worry about survival. However, since the reform and opening up, the situation has changed significantly. Under the current socialist market economy system, China's television broadcasting institutions receive little financial support from the government. In order to

survive and develop in today's fiercely competitive market climate, television broadcasters have to do their utmost to earn economic benefit and achieve profit maximisation. This to a great degree has resulted in China's television industry being full of excessive commercialisation.

From all accounts, China's inherent 'ODSS' socio-political system determines the OOTOP system of its television industry. All of China's television broadcasting institutions are state-owned: they function as tools of political propaganda and as the mouthpiece of the Party, the government and the people. They are compelled to use the money they earn from commercial ventures first to serve the Party and government, then to serve the public, and last to support themselves. This 'freaky' system fundamentally underpins many of the problems that continue to assail the three operational patterns of China's television broadcasting institutions: political communication (e.g. propaganda), public service and commercial (or profit-oriented). Even the officials of the Propaganda Department of the CPC Central Committee and the State Administration of Radio, Film and Television (SARFT) have publicly acknowledged that OOTOP is the root cause of most of the problems impeding China's television development as well as the largest obstacle blocking the process of television industrialisation reform in China. Recommendations pertinent to the reform of the OOTOP system of China's television industry will be presented in Chapter Seven (7.2). In the next section, I discuss the problems that persist in television content, policy making, and implementation.

### 6.1.2.2 China's Television Policy

Television policy is usually consistent with the specific national conditions and television system of a given country. It may be seen as a deliberate plan to effectively and rationally guide, administer and regulate the development and operation of a country's television industry, as well as to reach goals that are critical to television industry progress. This principle is also applicable to China's television policies. However, some facts indicate that certain of these policies have failed to effectively solve the problems that exist in the process of television development. It may even be that some policies exacerbate these problems<sup>205</sup>. So why is it that certain of China's television policies have failed to effectively solve the problems associated with the process of television development? Failure can primarily be attributed to the problems that plague television policy-making, content and implementation. In the following section these problems are discussed in detail.

#### (1) Problems Extant in Television Policy Making

The phenomenon this thesis terms 'official oriented'<sup>206</sup>, (官本位) is viewed as the biggest

<sup>205</sup> For example, lack of funding is a serious problem for the development of digital television in China. Hence, the relevant television policy is supposed to solve this problem. However, according to the documents *Views on Introducing Foreign Capital into Cultural Fields* and *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industrials* promulgated by the State Council of the PRC, as regards the operation of China's television industry involving digital television, foreign funding is rejected. Moreover, there is no relevant policy in place that could help China's digital television industry to solve this problem. Under these circumstances, the development of digital television in China continues to be restricted due to lack of money. This shows that certain of China's television policies have failed to effectively solve the problems that exist in the process of television development. A detailed account of the documents *Views on Introducing Foreign Capital into Cultural Fields* and *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industrials* appears in Chapter Four (4.1). For further discussion of the problems that retard the process of digital television development in China see section 6.4 of this chapter.

<sup>206</sup> In China, the term 'official oriented' has rich connotations, which mainly include: (1) 'official oriented' is a political system, an official organisational structure and administrative arrangement, and an official rank standard; (2) 'official oriented' is an culture and/or an tradition of officialdom; (3) 'official oriented' is a form of officialdom thought, consciousness, and value or value orientation; (4) 'official oriented' is a social phenomenon. Irrespective of definition, all connotations of 'official oriented' have a mutual core value: that is, whether a person is an official or a high ranking official is the core criterion applied to measure an individual's social status, social value and success or failure. In this thesis, 'official oriented' chiefly implies an officialdom culture and/or an officialdom tradition, which may be understood as follows: under the influence of 'official oriented', the level of official rank is viewed as the sole criterion to measure an official's social status, social value and success or failure. This is a key phenomenon in China's officialdom; officials spare no effort in seeking personal promotion (Official B, personal communication, Jinan, 26 December 2006; Scholar F, personal communication, Jinan, 30 December 2006).

problem confronting television policy-making in China today. As earlier suggested, under the influence of ‘official oriented’, many Chinese officials spare no effort in seeking personal promotion. In the officialdom of China, the promotion of an official is contingent upon concrete evidence of political achievement. To this end, pursuing outstanding political achievement is the first priority of most Chinese officials alike. And because this philosophy is embraced by media and television officials, to a great extent China’s television policy-making is based upon whether it can realise officials’ political ambitions and bring them personal promotion rather than on the objective and actual needs of television development in China<sup>207</sup>.

## *(2) Problems Extant in Television Policy Content*

The above discussion has highlighted the problems that retard and inhibit television policy-making in China. As the result of this form of policy-making, the content of China’s television policy cannot be expected to be competently formulated. In fact, China’s television policy is fraught with two primary problems:

The first involves the political dimension of television policy regulation and the economic dimension of deregulation. According to McQuail (2005), there are “three main phases of

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<sup>207</sup> Scholar C (personal communication, Beijing, 12 January 2007) provides a typical example concerning the influence of ‘official oriented’ on television policy-making. A former high-level official of the SARFT actively promoted the establishment of a children’s television channel. During his tenure, approximately one hundred policies, regulations and/or other relevant documents regarding the establishment of children’s television channels were issued by the SARFT within a two month period: in other words, approximately two official documents were issued daily. With the forceful backing of the SARFT and its documents, thirty-three television channels for children were rapidly established in one year in China. As a result of this so-called ‘political achievement’, the aforementioned high-level official was promoted to a higher-level position with equal rapidity. However, after he was promoted, the majority of the children’s television channels had to be transformed into other types of channels (e.g. sports, movie or music channels) or closed down due to a serious lack of children’s television programme productions. Obviously, the formulating of television policy pertinent to children’s television channel establishments was done chiefly in the interests of this official’s ‘political achievement’, i.e. in the interests of his personal promotion rather than serving the actual needs of television development in China. This official’s behaviour in fact was tantamount to a waste of television industry resources. Thus, under the seductive influence of ‘official oriented’, because of the personal political ambitions of certain officials, many of China’s television policies have failed to effectively solve the problems that inhibit the process of television development in China.

communication policy in different parts of the world” (p. 239). The first is the phase of emerging communication industry policy: the second can be described as one of public service. The last phase has developed as a result of “the trends of internationalisation, digitalisation and convergence” (p.239). Especially since the 1980s, a blizzard of change has swept “across the broadcasting landscape, radically altering the established order. A potent combination of deregulation and liberalisation, and changes in social structures and attitudes, as well as technological advances combined to redraw the paradigm of broadcasting” (Blumler, 1992; Collins, 1998, quoted in Kung-Shankleman, 2000, pp.23-24). Hence, while western countries deregulated their television policy irrespective of political or economic dimensions, the Chinese government has gradually regulated its political dimension of television policy and gradually deregulated its economic dimension of television policy. This in fact reflects the Chinese rulers’ concerns vis-a-vis the impact of rapid progress on the television industry and their ruling status, and their intention to adopt a political approach (e.g. policy) to guide, drive and dominate the development of China’s television industry. In the short term, it may be that the progress achieved by the television industry will follow China’s leaders’ expectations. However, in the long term, the strengthening of China’s market forces may complicate and render untenable the rulers’ plans to guide, drive and dominate television development. In time, China’s television development will be driven mainly by the market. Meanwhile, the current television policies will continue to hamper the progress of the television industry<sup>208</sup>.

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<sup>208</sup> In fact, at present, China’s television development is driven mainly by the market. The current television policies, to a great extent, have affected and hampered the progress of the television industry in China.

The second is that China's television policy contains much unscientific and impractical content. As already suggested, China's 'official oriented' philosophy sees many television policies being made in the interests of officials' political achievements rather than serving the objective and actual needs of television development. This is the chief reason why much of China's television policy content is unscientific and impractical. The example of the establishment of children's television channels was presented earlier. The other two examples are the timeline for the comprehensive promotion and generalisation of DCT and the 'three-step strategy' for China's DTV development (see section 4.2.2.3 of Chapter Four).

### *(3) Problems Extant in Television Policy Implementation*

Two primary problems inhibit the implementation of China's television policy. (a) There is a strong tradition of 'rule of man' (人治) in the country's television industry. In a 'rule of man' society, the people in power are actually above the law, as opposed to 'rule of law' (法治) societies where no one is above the law. Remnants of the feudal culture and tradition that dominated China for over two thousand years combined with the unsoundness of the law of the television industry make clear that the phenomenon of 'rule of man' still persists in China's television industry today. The implementation of television policy tends to be contingent upon the orders of certain people in power. For example, *Views on Enhancing Regulations of Constructing Cable Networks of Radio and Television* (Document No. 82), issued by the SARFT in 1999, advocated the closing of all county television stations<sup>209</sup>. However, in the interests of maintaining the vested interests of county governments, most county television stations in fact were not closed. In line with certain county leaders'

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<sup>209</sup> The detailed content and analysis of *Views on Enhancing Regulations of Constructing Cable Networks of Radio and Television* (Document No. 82) appear in section 4.1.2.2, Chapter Four.



expectations, they were transformed into country broadcasting and television stations and basically carried out the same functions as before. Obviously, Document No. 82 was not implemented to meet the policy makers' original expectations due to the phenomenon of 'rule of man'. (b) The second problem has its genesis in the fact that television policy implementation is 'totally bureaucracy-led'. Totally bureaucracy-led can be interpreted as a feature or representation of China's existing political system of ODSS, which is a top – down, relatively closed system. During the entire policy implementation process, the public and relevant institutions had little or no chance to participate in the process and to provide feedback. In this way, policy was distanced from the actual reality of difficulties encountered during policy implementation, thereby further impeding the reform and development of China's television industry.

To sum up, by scrutinising the above discussion of the primary problems implicit in both the system and policy of China's television industry it becomes clear that China's fundamental political system, i.e. 'one-party dictatorship socialist system' (ODSS), determines the one ownership – three operation patterns (OOTOP) system of the country's television industry. The ODSS, together with 'official oriented' and 'totally bureaucracy-led', to a great extent influences and decides the making, content and implementation of television policy in China. In the case of China's television industry, after thirty years of industrialisation under a socialist market economy system, its fundamental system has seen no essential change although it has progressed considerably in developing a market chian at the economic level. This is actually a reflection of the reform and development of China's society in its entirety; that is, economic reform has moved at a very fast pace whereas political reform has made

little progress (China's political system ODSS has undergone no essential change). This is the root cause of most of the problems that combine to hamper China's television development. As well it is the largest obstacle in the process of China's television industrialisation reform. Concomitant with the broadening of economic reform, the strength of the economy's influence on the country's politics will increase. The present political system of China must change, even though change is unlikely to be comprehensive and/or wide-sweeping. Recommendations pertaining to the reform of the system and policy of China's television industry will be presented in Chapter Seven (7.2). In the next section, I discuss the problems that obtain in the vertical organisational structure and horizontal administrative arrangement of China's television industry.

## **6.2 The Problems Extant in the Vertical Organisational Structure and the Horizontal Administrative Arrangement of China's Television Industry**

The ten results presented in this section are based on the in-depth interviews conducted with Scholars B, C and H, Media Practitioner B and Officials A, B and D as well as Focus Groups One and Two. Following these results is the discussion pertaining to the three primary problems extant in the vertical organisational structure and horizontal administrative arrangement of China's television industry: (1) the repetitious building of television broadcasting institutions; (2) the survival crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels<sup>210</sup>; and (3) the restrictions imposed on cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations (or enterprises).

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<sup>210</sup> 'Other television stations/channels' denotes educational stations and broadcasting and television stations on central/national, provincial, prefecture/city or county levels in China. The content of 'other television stations/channels' is detailed in Chapter Four.

### 6.2.1 Results

(1) China's fundamental political system (ODSS) is the root cause of most of the problems that impede the process of television development in China. The ODSS determines the specific vertical organisational structure (see Figure 6.1) and horizontal administrative arrangement (see Figure 6.2) of China's television industry. The two components of this particular structural arrangement, taken together, constitute the manifestation of two parts or 'dual leadership' (双重领导), i.e. vertical supervision and horizontal administration of China's television broadcasting institutions<sup>211</sup> (Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Two, personal communication, Jinan, 25 December 2006).

(2) The vertical organisational structure of China's television industry, shown in Figure 6.1, is a feature of the 'Television Stations Established on Three Administrative Levels' (TSETAL) policy (issued in 1999) and its former 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy formulated in 1983<sup>212</sup>. This vertical organisational

<sup>211</sup> As Zhao (2008) suggests, "in the context of Chian's unique form of development, in which the party state-owned media are both official political organs and units of capital accumulation, the manifestations of the accommodation and tension between these two logics have been particularly intense. The nature of the Chinese state as a complicated web of vertically and horizontally integrated administrative units covering a vast and unevenly developed territory and the party state-organ status of media organizations have necessarily led to the market fragmentation of the Chinese media industry along territorial and sectorial boundaries" (p.40).

<sup>212</sup> As suggested in Chapter Four (4.1), the 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy was formulated at the working conference of the Ministry of Radio, Film and Television of the PRC (now the SARFT of the PRC) in 1983. The core element of TSEFAL policy was that each government of the centre, provinces, prefectures/cities and counties should establish its own television station. After the TSEFAL became policy, the number of television stations in China grew rapidly. By the end of 1996, there were more than 4,000 television stations in China. Obviously, this number was too great to develop China's television industry effectively. Under these circumstances, to reduce the number of television stations in China 'Television Stations Established on Three Administrative Levels' (TSETAL) policy was implemented in 1999 in place of the former 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy. The TSETAL policy required the closing of all county television stations and abrogating the qualification to establish television stations by county governments, restricting establishment to three levels (central, provincial and prefecture/city). However, as I discussed earlier in this chapter, the TSETAL policy was not implemented in accordance with its makers' original expectations due to the phenomenon of 'rule of man'. Most original county television stations were actually transformed into county broadcasting and television stations in light of certain county leaders' intentions and basically carried out the same function as before. Detailed content and an analysis of 'Television Stations Established on Four Administrative Levels' (TSEFAL)

structure reflects one aspect of the ‘dual leadership’ – the vertical supervision of China’s television broadcasting institutions. As Figure 6.1 shows, each bureau of radio and television (BRT) of a provincial government is directly supervised by the SARFT, and each BRT of prefecture/city or county government is directly supervised by the BRT of its superior government. CCTV is administered by the SARFT<sup>213</sup> directly. All television broadcasting institutions at the provincial, prefecture/city and county levels are directly administered by the BRTs of equal administrative level governments, as well as being indirectly supervised by the BRTs of superior level governments<sup>214</sup> (Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Two, personal communication, Jinan, 25 December 2006).

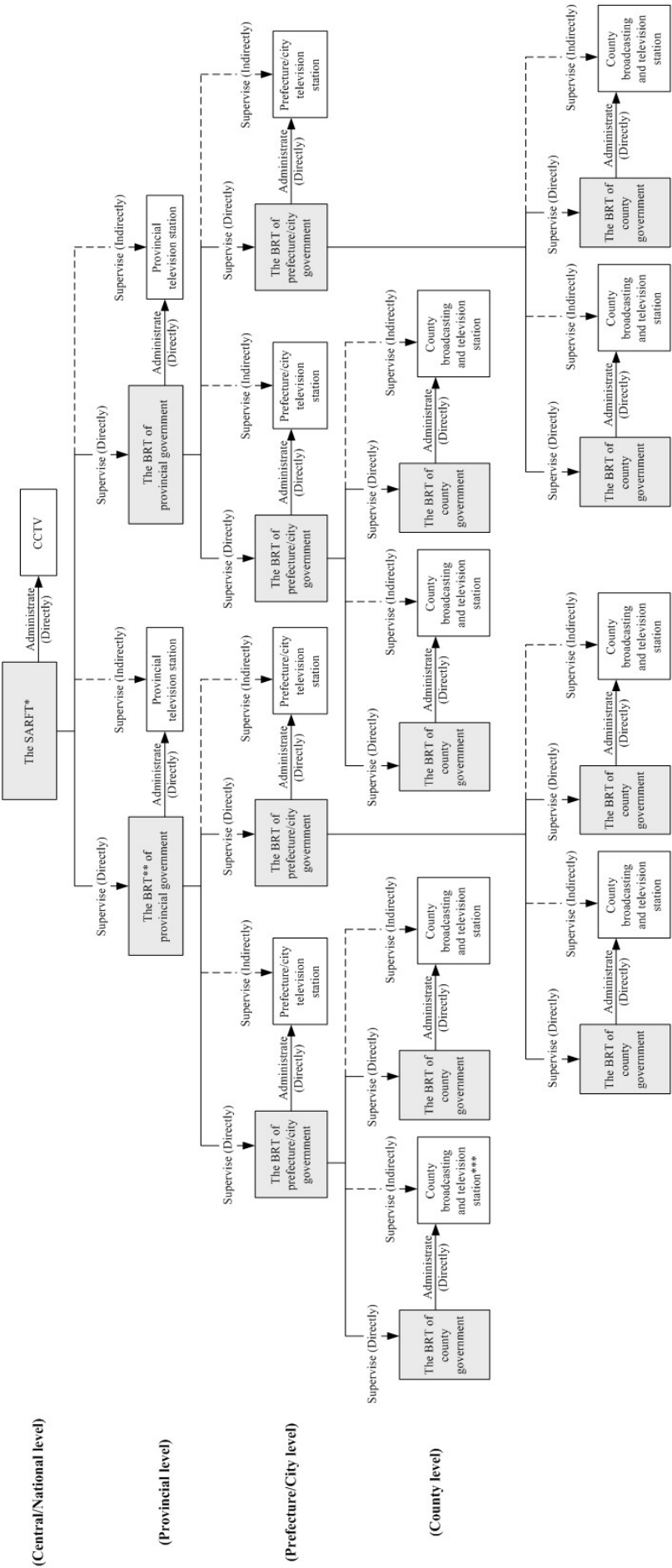
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policy and ‘Television Stations Established on Three Administrative Levels’ (TSETAL) appears in section 4.1 of Chapter Four. The discussion related to the effect of the phenomenon of ‘rule of man’ on television policy implementation appears in section 6.1.2.2 of this chapter.

<sup>213</sup> The SARFT is supervised by the Propaganda Department of the CPC Central Committee, which is shown in Figure 6.2 of this chapter.

<sup>214</sup> The provincial television stations are indirectly supervised by the SARFT. Actually, all of China’s television stations or broadcasting and television stations on the provincial, prefecture/city and county levels may be indirectly supervised by the SARFT (see Figure 6.2 of this chapter).

FIGURE 6.1 The vertical organisational structure of China's television industry

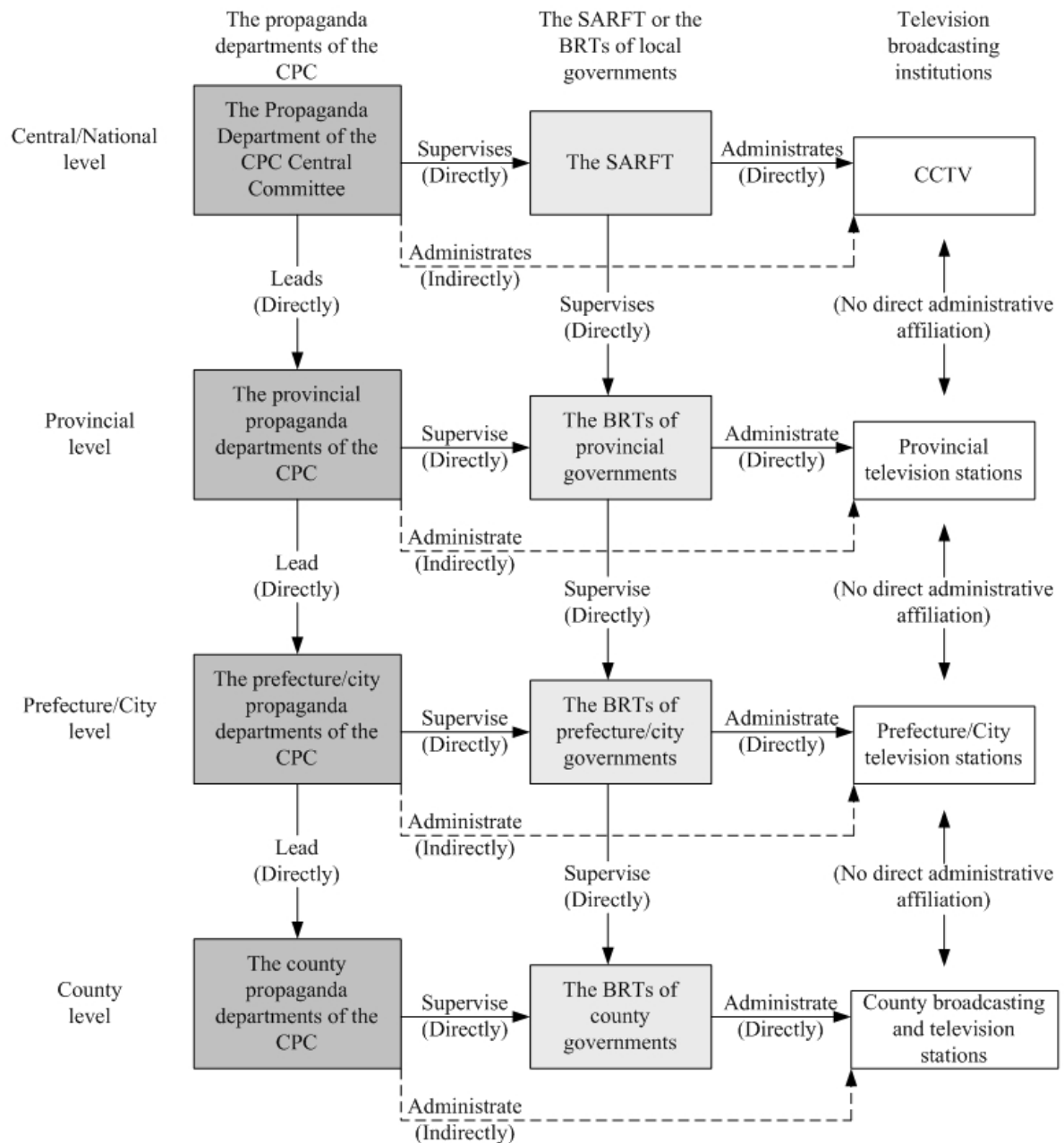


Summarised from: Focus Group One (personal communication, Jinan, 22 December 2006);  
Focus Group Two (personal communication, Jinan, 25 December 2006)

\* SARFT denotes the State Administration of Radio, Film and Television.  
\*\* BRT denotes the bureau of Radio and Television (of provincial, prefecture/city or county government).  
\*\*\* Since the 'Television Stations Established on Three Administrative Levels' (TSETAL) policy was implemented in 1999 to replace the previous 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy, the original county television stations were transformed into county Broadcasting and television stations and basically carry out the same functions as before.

(3) Figure 6.2, which shows the horizontal administrative arrangement of China's television industry, reflects a second aspect of the 'dual leadership' – the horizontal administration of China's television broadcasting institutions. As Figure 6.2 shows, the Propaganda Department of the CPC Central Committee, the highest leading body of the television industry in China, directly supervises the work of the SARFT and indirectly administrates CCTV<sup>215</sup>. The propaganda departments of the CPC on the provincial, prefecture/city and county levels, the leading bodies of China's television industry on various administrative levels, directly supervise the BRTs' work of equal administrative level governments and indirectly administrate the television broadcasting institutions on equal administrative levels. The SARFT directly administrates CCTV, and the BRTs of the provincial, prefecture/city and county governments directly administrate the television broadcasting institutions of equal administrative levels on the Party's behalf. Figure 6.2 also demonstrates vertical lead and vertical supervision. 'Vertical lead' implies that the propaganda departments of the CPC at the central, provincial and prefecture/city levels directly lead the propaganda departments of the CPC on the more inferior levels. 'Vertical supervision', also demonstrated in Figure 6.1, indicates that the SARFT and the BRTs of the provincial and prefecture/city governments directly supervise the BRTs of inferior level governments. Due to the relatively individual mode of operation of each television broadcasting institution in China, there is no direct administrative affiliation of television stations or broadcasting and television stations at the different administrative levels (Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Two, personal communication, Jinan, 25 December 2006).

<sup>215</sup> As the highest leading body of the television industry in China, the Propaganda Department of the CPC Central Committee may directly supervise the work of the SARFT and of all local governments' BRTs, and indirectly administrates CCTV as well as all other television broadcasting institutions in China.

**FIGURE 6.2 The horizontal administrative arrangement of China's television industry**

Summarised from: Focus Group One (personal communication, Jinan, 22 December 2006);  
Focus Group Two (personal communication, Jinan, 25 December 2006)

(4) The vertical organisational structure and horizontal administrative arrangement of China's television industry shown in Figures 6.1 and 6.2 visually represent the 'dual leadership', that is, the vertical supervision and horizontal administration of China's television broadcasting institutions. The chief purpose of the dual leadership is to establish television stations based

on the administrative divisions of China, to achieve superposition cover of television broadcasting at each Chinese administrative level from centre to county, and to enable China's television broadcasting institutions to focus on serving politics, i.e. enhance the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda) and guarantee the successful diffusion of their 'voice' (Scholar C, personal communication, Beijing, 12 January 2007).

(5) China's repetitious building of television broadcasting institutions caused by the dual leadership system is evident in its excessive number of broadcasting institutions, a number that has already exceeded the country's television marketing and television development requirements. This results, on the one hand, in severe waste of the resources of the society; on the other hand, lack of money, professionals and innovation mechanisms for producing more high quality television productions results in the transmission of the same (or similar) programmes/series by several television channels within the same period of time (Scholar B, personal communication, Beijing, 11 January 2007).

(6) The dual leadership system triggers the survival crises experienced by most of China's provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels (Media Practitioner B, personal communication, Jinan, 31 December 2006; Official B, personal communication, Jinan, 26 December 2006).

(7) The dual leadership system underpins the restrictive nature of cross-region, cross-administrative rank and cross-industry operations and/or integration of China's



television stations (Scholar H, personal communication, Beijing, 10 January 2007).

(8) The operations and businesses of China's provincial, prefecture/city and county television broadcasting institutions are limited within the territories of their administrative divisions. They are restricted to conducting horizontal cross-region operations and/or integration (Scholar H, personal communication, Beijing, 10 January 2007).

(9) China's television broadcasting institutions are naturally conferred administrative ranks. A higher administrative rank television broadcasting institution cannot merge with or purchase a lower administrative rank television broadcasting institution (Scholar H, personal communication, Beijing, 10 January 2007; Official A, personal communication, Jinan, 26 January 2007).

(10) When the Chinese government established television stations based on the administrative divisions of China and insisted that all television broadcasting institutions unswervingly serve the Party and the government, it objectively prevented any possibility of cross-industry operations and/or integration between/into other industries in China. This resulted in China's television industry becoming a relatively closed operation (along with other industries) (Scholar C, personal communication, Beijing, 12 January 2007; Official D, personal communication, Beijing, 17 January 2007).

### **6.2.2 Discussion**

The system of dual leadership underpins the three primary problems implicit in the vertical

organisational structure and horizontal administrative arrangement of the country's television industry: (1) the repetitious building of television broadcasting institutions, (2) the survival crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels<sup>216</sup> and (3) the restrictions on cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations. In the section that follows I discuss the three primary problems in detail.

### **6.2.2.1 The Repetitious Building of Television Broadcasting Institutions**

China's repetitious building of television broadcasting institutions caused by the dual leadership system is evident in its excessive number of broadcasting institutions, e.g. television stations, educational television stations and broadcasting and television stations, a number that has already exceeded the country's television marketing and television development requirements. For example, every government, whether central, provincial, prefecture/city or county, administers at least one television broadcasting institution, which usually has several (possibly more than ten) television channels<sup>217</sup>. This is why there are thousands of television broadcasting institutions and television channels in China today<sup>218</sup>. This vast number of television broadcasting institutions directly results, on the one hand, in

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<sup>216</sup> 'Other television stations/channels' denotes educational stations and broadcasting and television stations on central/national, provincial, prefecture/city or county levels in China. The content of 'other television stations/channels' is detailed in Chapter Four.

<sup>217</sup> For example, by 2007, China Central Television (CCTV), the largest television station in mainland China, had eighteen national (analog) television channels comprising CCTV-1 Mixture, CCTV-2 Economy, CCTV-3 Arts, CCTV-4 International (in Chinese), CCTV-5 Sports, CCTV-6 Movies, CCTV-7 Military/Agriculture, CCTV-8 TV Drama and Series, CCTV-9 International (in English), CCTV-10 Science and Education, CCTV-11 Opera, CCTV-12 Society and Law, CCTV-News (24-hour news), CCTV-Children (children's channel), CCTV-Music, CCTV-E (in Spanish), CCTV-F (in French) and CCTV-HD (high-definition programming) (Media Practitioner D, personal communication, Beijing, 7 January 2007; Media Practitioner G, personal communication, Beijing, 15 January 2007). In 2006, Shandong Television Station (SDTV), a provincial television station, had ten (analog) television channels. Jinan Television Station (JNTV), a television station in the provincial capital, had seven (analog) television channels (Media Practitioner J, personal communication, Jinan, 26 December 2006; Official A, personal communication, Jinan, 26 January 2007).

<sup>218</sup> According to 'Innovation and Transition – 2006 Chinese Media Industry Development Final Report' Cui, Lu and Li (2006), in 2005, China had 2,284 television broadcasting institutions consisting of 302 television stations, 50 education television stations and 1,932 broadcasting and television stations. For more detail see Chapter Four (4.2).

severe waste of the resources of the society (e.g. television channels resources, funds, human resources and facilities)<sup>219</sup>; on the other hand, lack of money, professionals and innovative mechanisms for producing more high quality television productions results in the transmission of the same (or similar) programmes/series by several television channels within the same period.

Some Chinese scholars have questioned why it is that in the U.S., which has thousands of television stations, channels or cable television systems, there is neither a waste of resources nor a lack of money, professionals and innovative mechanisms. There are two primary differences in the American and Chinese industries. First, although the volume of television audiences in China exceeds that of the U.S., the consumption demands of Chinese audiences are far lower than those of America's audiences<sup>220</sup>. In other words, whereas the U.S. may need its thousands of television stations, channels or cable television systems, China's need may not be so great. Second, as most television systems in the U.S. are commercial, in line with a market economics, their establishment is driven by market forces and their operation is regulated by market rules<sup>221</sup>. In contrast, China's television broadcasting institutions are totally subject to compelling government policy and administrative direction rather than market driven. As long as China's television broadcasting institutions have to operate under the aforementioned dual leadership system, problems such as waste of resources and lack of money, professionals and innovative mechanisms (caused by repetitious building of television

<sup>219</sup> Because the government had not planned carefully, the resources of the society (e.g. television channels' resources, funds, human resources and facilities) could not be fully and effectively used: thus many of China's television broadcasting institutions did not operate efficiently.

<sup>220</sup> According to statistics produced by the International Monetary Fund (IMF) (2008), China's gross domestic product (GDP) per capita has just reached USD 2,460 while the U.S. GDP per capita was already USD 45,845 in 2007. The former is approximately 5.37% of the latter. See Chapter Four (4.2) for more detail related to current external status and macro-economy.

<sup>221</sup> More analysis and discussion related to commercial television in the U.S. appears in Chapter Five (5.1).

broadcasting institutions) will inevitably persist.

#### **6.2.2.2 The Survival Crises Experienced by Most Provincial Non-satellite (Terrestrial and Cable), Prefecture/City and Other Television Stations/Channels**

The survival crises experienced by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels are shown in Figures 4.5 and 4.6 in section 4.2.2.2 of Chapter Four. I will now discuss how the dual leadership system (the vertical organisational structure and the horizontal administrative arrangement of China's television industry) triggers most of these crises. Jinan Television Station (JNTV)<sup>222</sup>, a capital city television station in Shandong province, can serve as a typical case for discussing and understanding the survival crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels.

The dual leadership system that dominates JNTV is the chief reason for the station's survival crisis. According to Figure 6.1, the vertical supervision of JNTV is undertaken by the BRT of the Shandong government as well as the SARFT. Under this form of vertical supervision, JNTV is compulsorily required to wholly and synchronously retransmit the primary channels and programmes of CCTV and Shandong Television Station (SDTV)<sup>223</sup> through its own

<sup>222</sup> Jinan Television Station (JNTV) is the capital city television station of Shandong province. It has seven (analog) television channels comprising two terrestrial channels covering Jinan's approximately 5.9 million population (transmitted via terrestrial and cable systems) and five cable channels covering approximately three million Jinan cable television users (transmitted via cable systems). In addition, JNTV owns and runs a cable television system, which mainly covers the urban areas of Jinan and has approximately three million users (Media Practitioner B, personal communication, Jinan, 31 December 2006; Official B, personal communication, Jinan, 26 December 2006).

<sup>223</sup> Shandong Television Station (SDTV) is the only provincial television station in Shandong province. Currently, SDTV has ten (analog) television channels comprising: SDTV-Satellite Channel covering the whole of China, East Asia, Southeast Asia and Europe and North America (transmitted via satellite, terrestrial and cable systems), SDTV-Qilu Channel covering Shandong province (transmitted via terrestrial and cable systems), seven cable channels covering Shandong province (transmitted via cable systems), and one International Chinese Channel covering North America (transmitted via satellite) (Official A, personal communication, Jinan, 26 January 2007; Media Practitioner J, personal communication, Jinan, 26 December 2006).

terrestrial and/or cable television systems<sup>224</sup>. It should be pointed out that the said retransmissions undertaken by JNTV, irrespective of CCTV or SDTV, are cost-free. According to Figure 6.2, the horizontal administration of JNTV is effected by the BRT of the Jinan government and the propaganda department of the Jinan Municipal Committee of the CPC (as well as the propaganda department of the Shandong Provincial Committee of the CPC). Under this form of horizontal administration, JNTV is forced to retransmit over thirty provincial level satellite channels of others of China's provincial television stations via its cable television system<sup>225</sup>. This is chiefly because other provinces' capital city television stations are equally forced to retransmit SDTV-Satellite channel via their cable television systems<sup>226</sup>. And while JNTV is paid a certain amount of money as compensation by other provincial television stations for the retransmission of their satellite channels, this amount is usually very small and fails to compensate JNTV for any losses caused by retransmission<sup>227</sup>.

<sup>224</sup> According to the *Notices Regarding Prefecture/City and County Television Stations Wholly and Synchronously Retransmitting the Channels and Programmes of CCTV and Provincial Television Stations* promulgated and implemented by the Propaganda Department of the CPC Central Committee and the Ministry of Radio, Film and Television of the PRC (today's SARFT of the PRC) on 8 December 1993, all prefecture/city and county television stations (involving their operated terrestrial and/or cable systems) must wholly and synchronously retransmit CCTV-1 (Mixture), CCTV-2 (Economy) and the primary provincial television channels (including satellite, terrestrial and cable channels) of their located province. The purpose of the *Notices* is to ensure the covering of central and provincial television stations' channels and programmes (<http://www.ipc.gansu.gov.cn/zlzx/images/zzqfjxgfg/1305.htm>). In terms of the *Notices*, JNTV is compulsorily required to wholly, synchronously and cost-free retransmit CCTV-1 (Mixture), CCTV-2 (Economy), SDTV-Satellite Channel, SDTV-Qilu Channel and seven cable channels of SDTV through its own terrestrial and/or cable television systems (Media Practitioner B, personal communication, Jinan, 31 December 2006).

<sup>225</sup> In China, there are thirty-one provincial level divisions consisting of four municipalities (directly under the control of the central government), twenty-two provinces and five autonomous regions excluding the two special administrative regions (Hong Kong and Macau) and Taiwan. Each municipality, province or autonomous region has one provincial level satellite television channel (except for Shanghai which has two provincial level satellite television channels). Therefore, there are thirty-two provincial satellite television channels in China at present (Official D, personal communication, Beijing, 17 January 2007).

<sup>226</sup> Due to the ban on Chinese people individually receiving any satellite television signals, channels or programmes, all satellite television channels and programmes of CCTV and provincial television stations are first transmitted via satellite to China's thousands of local cable television systems that are mainly owned by the prefecture/city television stations (or county broadcasting and television stations). The thousands of prefecture/city or county cable television systems then retransmit the satellite television channels and programmes of CCTV and provincial television stations to their users. This transmission pattern is very like that of the superstations of the U.S (see section 5.1.2.2 of Chapter Five). For expanding the covering scope, China's provincial television stations have a mutual agreement of equally retransmitting each others' satellite channels and programmes through the local (mainly prefecture/city or county) cable television systems in each territory. Under these circumstances, (see Figure 6.2), provincial television stations' leading body, the provincial propaganda department of the CPC, will through their subordinate organs – the prefecture/city propaganda departments of the CPC – supervise the BRT of the prefecture/city government, forcing their television stations (or county broadcasting and television stations) to undertake the retransmission of other provincial television stations' satellite channels (Media Practitioner B, personal communication, Jinan, 31 December 2006; Official B, personal communication, Jinan, 26 December 2006). For further discussion of China's direct broadcast satellite (DBS) or satellite television broadcast (or transmission) see section 6.3.2.4 of this chapter.

<sup>227</sup> As suggested previously, China's provincial television stations have mutually agreed to equally retransmit each others' satellite channels and programmes through the local (mainly prefecture/city or county) cable television systems in each

As the central/national or provincial television stations/channels (CCTV, SDTV and other provincial satellite channels) have more funding, better equipment, higher quality personnel and wider covering scope than JNTV, a prefecture/city television station, the latter has to confront severe competition from CCTV, SDTV and the provincial satellite channels. Under these circumstances, the survival capacity of JNTV, as well as of most of the provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels that find themselves in the same situation as JNTV, gradually shrinks. Due to the dual leadership system, most are surviving at the knife-edge, ostensibly hovering between life and death.

### **6.2.2.3 The Restrictions imposed on Cross-region, Cross-administrative Rank and Cross-industry Operations and/or Integration of Television Stations (or Enterprises)**

The third primary problem caused by China's dual leadership system is the restrictive nature of cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations. At present, China's television stations cannot conduct horizontal cross-region, vertical cross-administrative rank, and in-depth cross-industry operations and/or integration<sup>228229</sup>. In the following section I discuss this issue in three parts: (1) the restrictions

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territory. In terms of this agreement, each signatory (i.e. provincial television station) agrees to accord the other the same treatment. Because China's local cable television systems are mainly built and run by prefecture/city television stations (or county broadcasting and television stations), these provincial television stations inevitably opt for very low level compensation for retransmission. This is the primary reason why the amount of retransmission compensation paid to prefecture/city television stations (or county broadcasting and television stations) is usually very small and insufficient. Obviously, this damages the interests of prefecture/city television stations (or county broadcasting and television stations) rather than the provincial television stations themselves.

<sup>228</sup> For example, Shandong Television Station (SDTV), the provincial television station of Shandong province, cannot merge or purchase other provinces' television stations such as Zhejiang Television Station (ZJTV). As well, it cannot conduct any television broadcasting business or provide television services to other provinces. Furthermore, SDTV cannot merge or purchase any prefecture/city and county television stations or broadcasting and television stations in Shandong province (and other provinces) such as Jinan Television Station (JNTV), nor can it conduct any local television broadcasting business or provide local television services to any prefecture/city or county. SDTV cannot merge or purchase telecommunication enterprises and conduct telecommunication business or provide telecommunication services irrespective of whether in Shandong or other provinces (Media Practitioner J, personal communication, Jinan, 26 December 2006; Official C, personal communication, Jinan, 29 December 2006).

<sup>229</sup> Zhao (2008) argues that "although the party state has been able to absorb the force of media commercialization by turning

on horizontal cross-region operations and/or integration of television stations; (2) the restrictions on vertical cross-administrative rank operations and/or integration of television stations; and (3) the restrictions on in-depth cross-industry operations and/or integration of television stations.

*(1) The Restrictions on Horizontal Cross-region Operations and/or Integration of Television Stations (or Enterprises)*

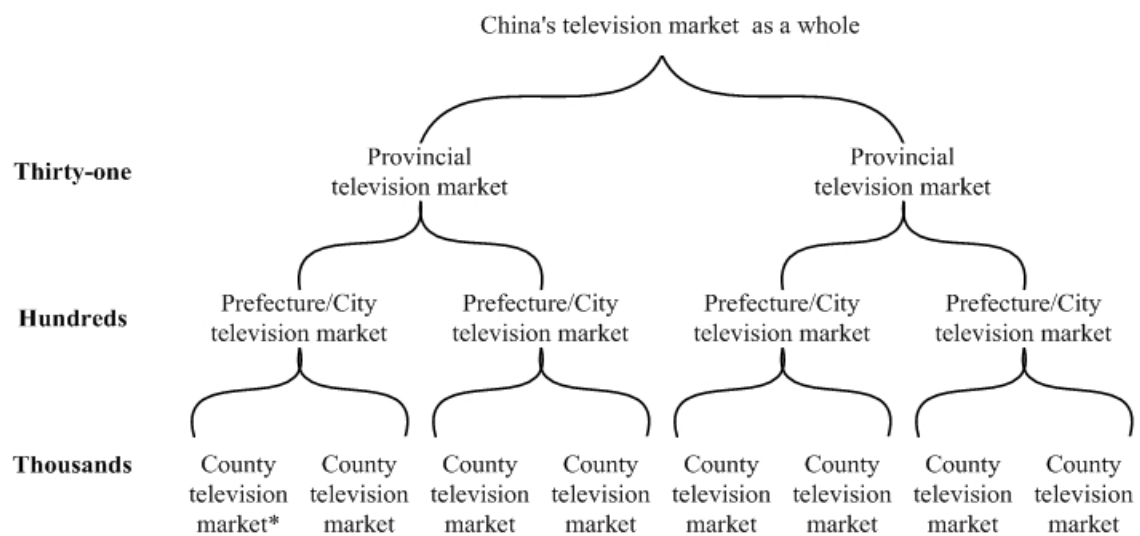
As the country with the world's largest television audiences and one of the largest consuming markets of television productions, it seems reasonable for China to have several nationwide or even worldwide television enterprises or media groups. However, the reality is that there is no nationwide or worldwide television enterprise in China other than CCTV<sup>230</sup>. The operations and businesses of provincial, prefecture/city and county television broadcasting institutions are limited within the territories of their administrative divisions<sup>231</sup>. They are restricted to conducting horizontal cross-region operations and/or integration. But, what is the primary factor that underpins this? It is China's dual leadership system that dominates (especially the provincial, prefecture/city and county) the country's television broadcasting institutions (or the vertical organisational structure and the horizontal administrative arrangement of China's television industry as shown in Figure 6.3 below).

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party and government organs affiliated with different levels of party committees and government administrations into advertising-supported and market-oriented media operations, the formation of cross-regional and cross-media conglomerates, for example, has been hindered by the media outlets' official organ status and bureaucratic and administrative boundaries" (p.40).

<sup>230</sup> The chief reason that CCTV can be a nationwide television enterprise is because of its special status. As the only central (or national) television station, CCTV represents the Chinese government and the CPC. Therefore, CCTV is the only central (or national) television station in China and is strongly supported by the government and the party. Nevertheless, CCTV is basically viewed as a domestic rather than an international television enterprise although it had aired eighteen national (analog) channels by 2007, some of which are international. Compared with other international television enterprises or channels, e.g. the BBC, ABC or CNN, CCTV viewers are mainly Chinese or Chinese abroad (Media Practitioner H, personal communication, Beijing, 15 January 2007).

<sup>231</sup> For example, SDTV mainly conducts its television broadcasting business within Shandong province and JNTV only operates within Jinan city.

**FIGURE 6.3 The television market structure in China**

Summarised from: Scholar H (personal communication, Beijing, 10 January 2007)

\* After the 'Television Stations Established on Three Administrative Levels' (TSETAL) policy was implemented in 1999 in place of the previous 'Television Stations Established on Four Administrative Levels' (TSEFAL) policy, the original county television stations were transformed into county Broadcasting and television stations. China's county television markets did not disappear following the change of the policies. On the contrary, they still exist.

As a result of the dual leadership system, and as Figure 6.3 clearly shows, the whole of China's television market was first divided into thirty-one provincial television markets, which were then sub-divided into hundreds of smaller prefecture/city television markets. Subsequently, the hundreds of prefecture/city television markets were divided into thousands of small county television markets. In such a complex television market structure, at the horizontal level television broadcasting institutions in different regions are basically individually operated. No one can run (or integrate) another's market and no one will allow another to run (or integrate) its own market due to (a) the division of television markets; and (b) to local government protectionism<sup>232</sup>. Despite the fact that the satellite channels of

<sup>232</sup> In order to protect their own political and economic interests, most local (provincial, prefecture/city and county) governments in China basically restrict the operations of television broadcasting institutions from other regions by issuing



provincial television stations may be retransmitted through local cable television systems in various provinces, as suggested previously retransmission is based on mutual agreements of equally retransmitting each others' satellite channels and programmes signed by provincial television stations, with each signatory agreeing to accord the other equal treatment. Hence, the retransmission of provincial satellite channels cannot be regarded as a genuine cross-region operation<sup>233</sup>.

In fact, the restrictions surrounding horizontal cross-region operations and/or integration of television stations caused by the dual leadership system has already seriously inhibited the strengthening of certain television stations as well as the development of China's television industry. As discussed in Chapter Four (4.1), due to the restrictions on horizontal cross-region operations and/or integration, China's television conglomeration reform (from 1999 to 2004), involving mergers, acquisitions, integration or concentrations of television stations, was limited to a specific region (mostly within a province). This means that it is impossible for those new combined media groups, broadcasting corporations or broadcasting groups (except China Media Group<sup>234</sup>) that are still regional, to become stronger and larger.

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certain local television regulations or polities. Moreover, Chinese central government does not encourage cross-region operations and/or integration of television stations (or enterprises) except in the case of CCTV (Scholar H, personal communication, Beijing, 10 January 2007).

<sup>233</sup> Figure 6.3 'the television market structure in China' is clearly connected with the well-known 'umbrella model' of the U.S. newspaper market that was first proposed by James N. Rosse, Professor of Economics at Stanford University, in the mid-1970s. The model envisages the newspaper market as consisting of four layers based on geographic coverage, which compete with one another. Newspapers compete with newspapers on other layers, either 'above' or 'below' (Rosse, 1980). Each larger newspaper forms an umbrella of coverage and competition over the smaller ones below (Owen, 1975). According to Lacy and Simon (1993), "the first layer is composed of metropolitan dailies that provide a great deal of regional and national coverage. The second layer contains satellite-city daily newspapers that tend to be more local in nature compared to the first layer. These papers still carry a fair amount of nonlocal news. The third layer is made up of suburban dailies, which are almost totally local in nature. Locally oriented weeklies, shoppers, and other specialized nondaily newspapers compose the fourth layer" (p.112).

<sup>234</sup> China Media Group (CMG) is the only central level media group in China (State Administration of Radio, Film and Television, 2004). More content concerning China's television conglomeration reform appears in Chapter Four (4.1).

*(2) The Restrictions on Vertical Cross-administrative Rank Operations and/or Integration of Television Stations (or Enterprises)*

In western nations, television enterprises differ from each other only in terms of scale and strength, rather than administrative rank. It is quite normal for them to merge or be merged; mergers are regarded as commercial behaviour and the result of market competition. However in China, all television broadcasting institutions are state-owned and come under the system of dual leadership, as demonstrated in Figures 6.1 and 6.2. Hence, every television broadcasting institution is actually a subsidiary body as well as an important propaganda tool of its equal administrative level government and committee of the CPC. In this way, China's television broadcasting institutions are naturally conferred administrative ranks. Just as a superior government cannot merge with or purchase an inferior government, in same way a higher administrative rank television broadcasting institution cannot merge with or purchase a lower administrative rank television broadcasting institution.

China's television conglomeration reform (spanning 1999 to 2004) can serve as a typical example of restrictions impeding vertical cross-administrative rank operations and/or integration of television stations. During the above five year period of conglomeration, more than twenty media groups, broadcasting corporations or broadcasting groups were established in China, from the central level to the prefecture/city level. However, all of the mergers, acquisitions, integration or concentrations of China's television stations (or enterprises) were conducted at the same administrative level. This means that provincial television stations could merge with other provincial level media enterprises (e.g. a provincial radio station) but could not merge with central, prefecture/city or county level media enterprises. Hence, under

the present dual leadership system, China's television stations are unable to achieve credible vertical cross-administrative rank operations and/or integration.

*(3) The Restrictions on In-depth Cross-industry Operations and/or Integration of Television Stations (or Enterprises)*

In terms of the content of Figures 6.1 and 6.2, and the above discussion, it becomes clear that under the domination of the dual leadership system and the current vertical organisational structure and horizontal administrative arrangement, China's television industry is subject to strong monopolistic control and rigid bureaucratic administration. When the Chinese government established television stations based on the administrative divisions of China (to ensure supervision of television broadcasting in each of China's administrative levels from centre to county) and insisted that all television broadcasting institutions unswervingly serve the Party and the government, it objectively prevented any possibility of cross-industry operations and/or integration between/into other industries in China. This resulted in China's television industry becoming a relatively closed operation (as was the case with other industries).

*Decree No.228 of the State Council of the People's Republic of China – Administration Regulations of Radio and Television of the People's Republic of China*, promulgated on 1 August 1997 and implemented on 1 September 1997, clearly states: Establishment of television broadcasting institutions, television broadcasts or transmissions, and the production and trade of any television programmes and series (or other television products) in China must be permitted by (or be granted licences from) the SARFT or the BRT of the provincial

government in the same region. Protectionism makes it basically impossible for the institutions or enterprises of China's other industries (e.g. telecommunication companies) to conduct business, enter into commercial activity or integration in China's television industry. In the same way, China's television industry is also restricted vis-a-vis conducting cross-industry operations with – or integrating into – China's other industries as a result of other industries' protectionism, e.g. the telecommunication industry. According to *Decree No.291 of the State Council of the People's Republic of China – Telecommunications Regulations of the People's Republic of China* promulgated on 20 September 2000 and implemented on 25 September 2000, any businesses, operations, services or commercial conduct related to the telecommunications sphere must be authorised by (or be granted licences by) the relevant telecommunication administrative bodies of the central, provincial, municipality or autonomous region governments (WWW.GOV.CN, 2000). Thus, it is not easy for other industries (including the television industry) to gain entry into China's telecommunications industry<sup>235</sup>.

From all accounts, under China's ODSS, the dual leadership system involving all television broadcasting institutions is the root cause of many of the problems that persist in the vertical organisational structure and horizontal administrative arrangement of China's television industry. This includes the repetitious building of television broadcasting institutions, the survival crises faced by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels, and the restrictions on cross-region,

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<sup>235</sup> Nevertheless, along with the improvement of digital, satellite and Internet technologies as well as the applications of these new technologies in television and telecommunication industries, the circumscription between the two industries becomes indistinct. In the face of such new situation, many nations adjust their television and telecommunication regulations or policies (e.g. *The Telecommunication ACT of 1996* of the U.S.) to acclimatise the changes of circumstances (Scholar C, personal communication, Beijing, 12 January 2007).

cross-administrative rank and cross-industry operations and/or integration of television stations. These problems have indeed severely impeded the furthering of television industrialisation reform in China, in particular in-depth marketisation, conglomeration and internationalisation. If these problems cannot be solved or dealt with well, they will to a great extent retard the development of China's television industry. Relevant recommendations can be found in Chapter Seven (7.2). In the next section, I focus on the problems that exist in the market chain of China's television industry.

### **6.3 The Problems Extant in the Market Chain of China's Television Industry**

The sixteen results presented in this section are based on the in-depth interviews conducted with Scholars A, B, C, D and H, Media Practitioners B, C and J, and Officials A and C as well as Focus Groups One and Three. Following these results, details of the discussion associated with the problems that surround the capital, production, trading, broadcasting, consumption and investigating markets of the market chain of China's television industry are supplied.

#### **6.3.1 Results**

(1) *An Inquiry into the Nature and Causes of the Wealth of Nations* (i.e. *The Wealth of Nations*), Adam Smith proposes that the 'division of market is restricted by market scale' (Smith, 1910). In line with this proposition, the larger the market scale, the more elaborate the division of market should be and the higher the degree of specialisation should be. However, Smith's proposition does not hold up in the vast market that is China's television industry. Although China's television market is one of considerably large scale, it does not resemble Smith's proposition of elaborate division and high degree specialisation due to its vast size.

This is particularly evident in the market chain of China's television industry. Ostensibly resembling the western developed countries' television industries, the market chain of China's television industry also has six markets: capital, production, trading, broadcasting, consumption and investigating. Nevertheless, compared with the ideal television market chain as presented in the market chain theory of the television industry<sup>236</sup> and the relatively developed television markets of the U.S.<sup>237</sup>, the market chain of China's television industry and its six markets continue to be incomplete and immature. Many problems continue to impact on the six markets of the market chain (Focus Group One, personal communication, Jinan, 22 December 2006).

(2) The essential factor is found in China's special national conditions, particularly in China's fundamental political system, ODSS. The all-dominant ODSS and its effects determine (a) China's basic television system OOTOP, (b) the particular style of television policy-making, content and implementation in China, and (c) the specific vertical organisational structure and horizontal administrative arrangement of China's television industry (i.e. the dual leadership system of China's television broadcasting institutions). The influences and interventions of politics (or policies) at the micro level of the Chinese economy still exist although the marketisation degree of China's various economic domains has become increasingly higher due to a series of market economy reforms. Notably, these influences and interventions in the market chain involving the six markets have sometimes proved decisive (Scholar C, personal communication, Beijing, 12 January 2007).

<sup>236</sup> The relevant literature reviews regarding the ideal television market chain and the market chain theory of the television industry appear in Chapter Two (2.3.4).

<sup>237</sup> An analysis pertinent to the American television market as well as commercial television in the U.S. appears in Chapter Five (5.1).

(3) The Chinese government's attitude towards the television capital market is as follows: it strictly forbids foreign capital and conditionally deregulates Chinese private capital, blocking their entry into the capital market of China's television industry (Scholar D, personal communication, Jinan, 18 December 2006).

(4) CCTV and most of the provincial satellite stations/channels accrue superfluous capital by availing themselves of the advantages and privileges of broadcasting, variously endowed by the specific television system, policy, organisational structure and administrative arrangement of the industry. Most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels seriously lack the necessary capital for development (Official C, personal communication, Jinan, 29 December 2006; Media Practitioner B, personal communication, Jinan, 31 December 2006).

(5) Compared with television series, policies or regulations pertaining to the investment, production, trading and broadcasting of television programmes in China are relatively strict, concretely represented as the 'union of production and broadcast' (UPB) (制播合一) operation pattern of China's production market (and broadcast market) of television programmes. The UPB operational pattern is the problem that is of greatest concern to China's production market of television programmes. The essential reason behind the continued use of the UPB operational pattern in today's production market of television programmes in China is the fundamental political system of ODSS (Scholar B, personal communication, Beijing, 11 January 2007; Media practitioner J, personal communication,

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Jinan, 26 December 2006).

(6) China's television series production market and other markets (capital, trading, broadcasting, consumption and investigating markets) of the market chain have a relatively higher degree of market division and specialisation (or higher degree of marketisation). They are also the sole group of markets in China's television industry that are driven or influenced more by market forces and economic interests than by politics and policies (Media Practitioner C, personal communication, Jinan, 4 January 2007; Scholar B, personal communication, Beijing, 11 January 2007).

(7) Two primary factors determine why China's television series industry has achieved a relatively complete and mature market chain when China's television programme industry has not. The first involves the government's relatively relaxed policies and regulations and its soft attitude towards China's television series industry. The second is the self featured nature of television series (Scholar D, personal communication, Jinan, 18 December 2006; Media practitioner C, personal communication, Jinan, 4 January 2007).

(8) During the rapid progress of China's television series industry, two primary problems have inhibited its production market: (a) The production capacity of a television series is far higher than its actual broadcast capacity. This discrepancy results in a serious waste of social resources; (b) there is excessive repetition of themes and content of television series due to lack of creativity, rampant imitation, and the relative superabundance of capital enjoyed by China's television services production market (Focus Group Three, personal communication,



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Jinan, 25 December 2006).

(9) In China's television programme industry, only a few large television programme production companies are able to operate on the market independently and to accrue profit through selling their television programmes to broadcasters. Most television programme production companies are actually affiliated to a television broadcasting institution. It becomes obvious that the present running situation of the 'separation of production and broadcast' (制播分离) (SPB) operation pattern is not ideal and fails to meet the expectations of most of China's media practitioners. In terms of the intimate relationship between television programme producers and broadcasters, there are four different running modes of SPB operation pattern in China's television programme industry: Non-SPB operation pattern, Primary-SPB operation pattern, Intermediate-SPB operation pattern and Perfect-SPB operation pattern (Scholar B, personal communication, Beijing, 11 January 2007; Focus Group One, personal communication, Jinan, 22 December 2006).

(10) There are four primary trading approaches to the television trading market in China: (a) television festivals and international television production exhibitions/fairs; (b) direct transaction between television programme production companies and television broadcasters (mainly television stations); (c) the displaying of television productions (mainly television series) organised by television production institutions or enterprises; and (d) online/Internet trading (Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Three, personal communication, Jinan, 25 December 2006).

(11) Many audiences, who live in China's remote mountainous areas, fail to receive good quality terrestrial television pictures and clear sound. Most urban residents in China have basically forgotten terrestrial television; teenagers who live in China's cities have little concept of this mode, all of which indicates that China's terrestrial television has become marginalised (Scholar A, personal communication, Beijing, 11 January 2007).

(12) The establishment of a unified nationwide digital cable television transmission network in China was seriously impeded: each local cable television system went about things in its own way; the development of China's digital cable television thus had to be repeatedly delayed (Official A, personal communication, Jinan, 26 January 2007; Scholar D, personal communication, Jinan, 18 December 2006).

(13) The Chinese government still forbids DTH: it only allows 'indirect-to-home' (ITH) satellite television transmission. At present China's satellite television transmission has to adopt ITH rather than DTH on the broadcasting market of China's television industry. However, forbidding the DTH satellite television service does not mean that it does not exist in China's (satellite) broadcasting market. Currently, there are many illegal satellite receiver retailers in China (mainly in the urban areas) (Focus Group One, personal communication, Jinan, 22 December 2006; Scholar D, personal communication, Jinan, 18 December 2006).

(14) Chinese audiences are not able to choose what kind of television productions they can consume on the market due to the dictates of politics. The television productions supplied to the consumption market of China's television market chain cannot meet the increasing

consuming needs and preferences of Chinese audiences. This has become a primary problem of China's television consumption market (Scholar H, personal communication, Beijing, 10 January 2007).

(15) Because CVSC-Sofres Media's (CSM) largest investor CTR Market Research is the affiliate company of CCTV, it has 'official colour' and is viewed as a semiofficial investigating enterprise in China. In recent years, by virtue of its semiofficial identity and special relationship with the government, the relevant statistics produced by CSM are regarded as the only official investigating results vis-a-vis China's television investigating market. The whole of the investigating market of China's television market chain bends to one power, i.e. CSM dominance. This has become the most serious problem associated with China's television investigating market (Scholar D, personal communication, Jinan, 18 December 2006; Official C, personal communication, Jinan, 29 December 2006).

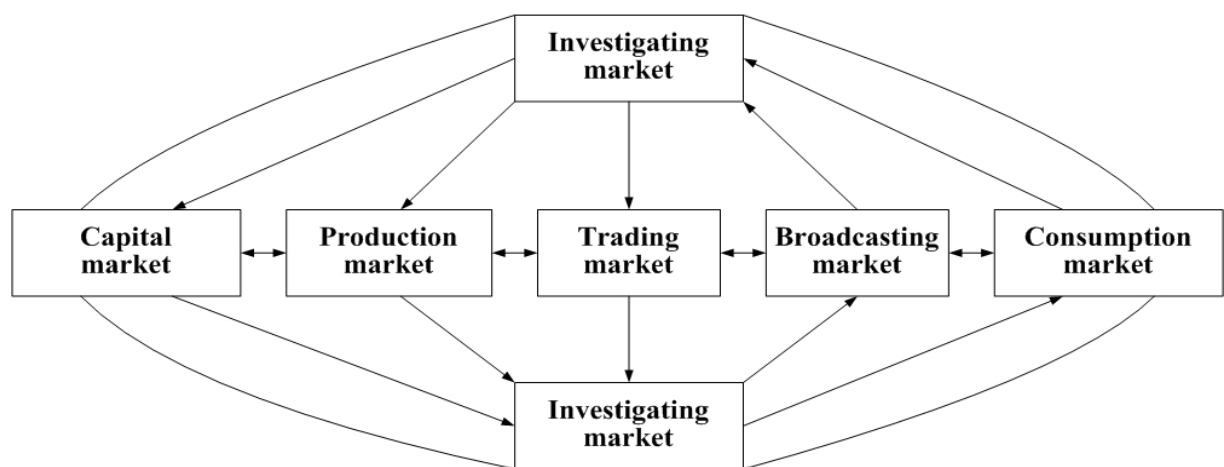
(16) There should exist at least three or more nationwide comprehensive television investigating enterprises in China's television industry: free and fair competition needs to be introduced into the system. This would be the only way of providing a positive impetus to the development of China's television investigating market in the future (Official C, personal communication, Jinan, 29 December 2006).

### **6.3.2 Discussion**

As McQuail (2005) argues, media is at the centre of three overlapping types of 'pulls' and 'pushes' comprising politics, economics and technology (see Chapter Two of this thesis). In

this sense, the capital, production, trading, broadcasting, consumption and investigating markets of China's television market chain are indeed at the centre of three main forces. However, in light of China's actual situation at present, it seems more likely that the market chain teeters between the 'pulls' and 'pushes', between political force and economic force. This can also be seen as the 'play game' that occurred between political power and the market force during the process of government regulation and/or deregulation. Based on the above perspectives, this section discusses in detail the problems that surround the capital, production, trading, broadcasting, consumption and investigating markets of the market chain of China's television industry, as suggested by Lu (2002) (see Figure 6.4<sup>238</sup> below).

**FIGURE 6.4 The 'market chain' of China's television industry**



Source: Lu (2002, p.114)

### **6.3.2.1 The Problems Extant in the Capital Market of the Market Chain of China's Television Industry**

The capital market occupying the foremost position in the market chain of the television

<sup>238</sup> Figure 6.4 is drawn based on Figure 2.12, Chapter Two.

industry supplies the vital liquidity for the operation and development of the television industry (see also section 2.3.4, Chapter Two). As well it stimulates the construction of modern corporation mechanisms and optimizes resource allocation through investors' supervision and the employment of professional managers, with the market as the national operation of television enterprises (see Chapter Two). In this way, in any given country the capital market of the television market chain is always given primary attention and consideration. Primarily the government controls, administrates, and intervenes in the television capital market, usually through a series of policies (or regulations). The actual degree of any television capital market generally depends on the development of capital market being driven by politics (or policies) or by the market itself. In this sense, the process of a government regulating or deregulating a capital market may be viewed as the 'play game' between political strengths and market forces.

From the time the western television industry underwent a phase of 'regulation of structure' and entered a stage of 'regulation of behaviour' over the last one to two decades of the twentieth century, the television capital markets in the U.S. and in many European countries have gradually been deregulated. The balance of power between politics and market has changed. The development of the capital market tends to be driven more by market force rather than by political strength. Under these circumstances, television enterprises seeking sources of capital have increasingly come to depend upon various economic or market means in the mechanism of market economy, and less and less reliant on the monopoly rights endowed by the past regulation of structure<sup>239</sup>.

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<sup>239</sup> For other relevant information regarding 'regulation of structure' and 'regulation of behaviour', see Chapter Four (4.1).

In effect, as discussed in Chapter Four (4.1), China's television industry is still in the phase of 'regulation of structure'. This implies that politics (or policies) still dominate China's television capital market as well as drive its development. This is representative of the policies that govern the capital market of China's television industry, i.e. *Views on Introducing Foreign Capital into Cultural Fields* and *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industries*<sup>240</sup>. Together these two policies embody the Chinese government's attitude towards the television capital market; that is, strictly forbidding foreign capital and conditionally deregulating Chinese private capital<sup>241</sup> (non state-owned and non public-owned capital), blocking their entry into the capital market of China's television industry. The government's attitude reinforces the dominant position of politics (or policy), emphasising how politics impact on the Chinese television industry's capital market. However, China's political domination has nurtured a markedly risky situation for television's capital market, that is, a serious imbalance in capital distribution. On the one hand, CCTV and most of the provincial satellite stations/channels accrue superfluous capital by availing themselves of the advantages and privileges of broadcasting, variously endowed by the specific television system, policy, organisational structure and administrative arrangement of the industry<sup>242</sup>. Organisations basically do not need to worry whether they have sufficient capital for operational purposes and further

<sup>240</sup> The two policies are detailed in Chapter Four (4.1).

<sup>241</sup> The term 'private capital' here denotes non state-owned capital and/or non public-owned capital.

<sup>242</sup> For example, as I state in Section 6.2.2.2 of this chapter, all prefecture/city and county television stations (involving their operated terrestrial and/or cable systems) must wholly and synchronously retransmit CCTV-1 (Mixture), CCTV-2 (Economy) and the primary provincial television channels (including satellite, terrestrial and cable channels) of their located province, according to the *Notices Regarding Prefecture/City and County Television Stations Wholly and Synchronously Retransmitting the Channels and Programmes of CCTV and Provincial Television Stations* promulgated and implemented by the Propaganda Department of the CPC Central Committee and the Ministry of Radio, Film and Television of the PRC (the present SARFT of the PRC), 8 December 1993. This is indeed a form of privileging CCTV and most provincial satellite stations/channels with broadcasting endowed by the specific television system, policy, organisational structure and administrative arrangement of China's television industry.

development. On the other hand, most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels seriously lack the necessary capital for development. They face difficulty maintaining a normal run because of the unequal policies that disadvantage them along with the government's attitude towards the television capital market, i.e. strictly forbidding foreign capital and conditionally deregulating Chinese private capital<sup>243</sup>.

In fact, the serious imbalance in the capital distribution of China's television capital market has affected all aspects of development of the television industry, particularly the production and broadcasting markets located downstream of the television market chain. The Chinese government's focus is on national security. As well, the government adopts a cautious and unremittingly conservative attitude towards both foreign and private capital, i.e. a determined bid to exercise total control over the television capital market. However, without sufficient capital resources and equal and reasonable allocation of these resources, it is very difficult to accomplish the industrialisation reform of China's television industry, and to enhance the strength and scale of China's television enterprises so that they can compete with international media groups on the world market. Thus, the opening up or deregulation of the capital market should be first taken into account in future reforms of the market chain of China's television industry. Recommendations pertaining to the reform of said capital market will be presented in Chapter Seven (7.2). In the next section, focus is upon the problems extant in the

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<sup>243</sup> Party state officials in China remain wary of both foreign and Chinese private capital, a fear that is both economic and political. In an economic sense, strictly forbidding foreign and conditionally limiting Chinese private capital entry is considered essential for the survival and development of China's state-owned television. In a political sense, party officials assume the worst (Zhao, 2008). The rationale for this fear can be paraphrased along these lines: "Although private media [television] outlets may not pose a political challenge in normal times, there is no guarantee that domestic private media [television] outlets, let alone foreign media [television] outlets, will not turn their back[s] against the party and support oppositional forces during the times of political crisis" (p.42).

production market of China's television market chain.

### **6.3.2.2 The Problems Extant in the Production Market of the Market Chain of China's Television Industry**

In the late 1970s, the core element of the television market chain – China's television production market – developed rapidly in tandem with the marketisation process of China's television industry. The most prominent features included: a substantial increase in the number of television productions (including television programmes and television series), improvement of television technology, and the enhancement of television production-making ability<sup>244</sup>. Nevertheless, while affirming the progress of China's television production market, it must be acknowledged that this market did not develop as completely and maturely as television industrialisation reform required. There are still some weaknesses and problems to be overcome in this market (particularly in the production market of television programmes<sup>245</sup>). In light of the distinct policies and regulations that dominate the investment, production, trading and broadcasting of television programmes (and of television series as well) and the different development actuality that exists between the television programmes industry and television series industry in China, in the following section I first discuss the production market of television programmes and the production market of television series, then examine the weaknesses and problems that beset the two production markets. In addition, I analyse the relatively complete and mature market chain of China's television series

<sup>244</sup> In 2005, China experienced 12.5916 million hours of television broadcasting. Its 125 television series production institutions, enterprises or companies produced 976 television series (15,801 episodes). Furthermore, in recent years, some documentaries, recognised as being of high quality by many experts and audiences, were produced. These included *Forbidden City* and *The Rise of the Great Nations* (State Administration of Radio, Film and Television, 2006; H.Z. Zhang, 2006).

<sup>245</sup> In this chapter, the 'range of television programmes' covers all types of television programmes (except television series, sitcoms and documentaries) such as news/current affairs, news comment programmes, talk shows, reality shows, entertainment programmes, sports programmes, music programmes, children's programmes, education programmes, life and service programmes, financial and economic programmes, travel programmes, shopping programme and weather forecasts.



industry.

*(1) China's Production Market of Television Programmes*

Compared with television series, policies or regulations pertaining to the investment, production, trading and broadcasting of television programmes in China are relatively strict, concretely represented as the 'union of production and broadcast' (UPB) (制播合一) operation pattern<sup>246</sup> of China's production market (and broadcast market) of television programmes. The UPB operation pattern, which was originally practised in the television industry in the period of socialist command economy, continues up until today; it persists throughout the entire industry and without distinct change. In this way, the UPB operation pattern actually brings to the present Chinese production market of television programmes under a socialist market economy system many general characteristics (or weaknesses) of the television programmes produced under the socialist command economy system<sup>247</sup>. These characteristics directly indicate that China's television production market is not able to supply sufficient numbers of high quality programmes, enough to meet the Chinese audiences' ever increasing consumption demands. Thus, the UPB operation pattern is the problem that is of greatest concern to China's production market of television programmes.

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<sup>246</sup> The 'union of production and broadcast' (UPB) operation pattern means that the process of production (involving plan, script, investment, shoot and edit) and broadcast of a given television production (mostly television programmes) is carried out by the same television institution or enterprise (mainly the television station or broadcasting and television station in China). This television institution is both producer and broadcaster of this television production (Media Practitioner A, personal communication, Beijing, 6 January 2007; Media Practitioner C, personal communication, Jinan, 4 January 2007).

<sup>247</sup> These general characteristics (or weaknesses) of television programmes production under the socialist command economy system include the high cost of television programmes production caused by low degrees of market division and specialisation, the overall low quality of television programmes due to a lack of television professionals and innovation ability, and the monotone of television forms and contents (Scholar A, personal communication, Beijing, 11 January 2007; Focus Group Three, personal communication, Jinan, 25 December 2006).

The essential reason behind the continued use of the UPB operation pattern in today's production market of television programmes in China is the fundamental political system of ODSS. Although China's economic and social structures have undergone tremendous change during the thirty year period of reform and opening up, the government and Party are still worried that certain images shown on television programmes may threaten (a) their ruling status, and (b) national security. Internal censorship of China's television broadcasting institutions and the overseeing of the entire process of television programming from production to broadcast,<sup>248</sup> in the form of the UPB operation pattern, is regarded as the most effective way of preventing the airing of programmes that the government and Party do not consider appropriate for general (public) consumption. This is the chief reason why the UPB operation pattern continues in use today as it has since the time of China's socialist command economy. Under these circumstances, many television programmes produced by China's television broadcast institutions do not meet audience expectations and fail to satisfy their viewing (or consumption) demands because these programmes have to first meet their varied censors' approval. When confronted with public crises or emergency events (e.g. China's SARS Crisis in 2003 and Burma's Saffron/Monk Uprising in 2007), the response by China's television broadcast institutions is always slower than that of the foreign media<sup>249</sup>.

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<sup>248</sup> According to Scholar B (personal communication, Beijing, 11 January 2007), Media practitioner J (personal communication, Jinan, 26 December 2006) and Media Practitioner F (personal communication, Beijing, 11 January 2007), the internal censorship of China's television broadcasting institutions (e.g. a provincial television station), that dominates the process of television programmes from production to broadcast, usually contains four hierarchies of censorship. The first is self-censoring by the executive editor (or executive producer) of a television programme: The second is attributable to the general producer of this television programme production team: The third is the director of the department that this television programme production team is affiliated with. The final hierarchy is the 'chief-editor office' of the television broadcasting institution. In this office there are generally six to eight censors, mostly senior leaders (or administrators), directors of various departments or experienced producers. By contrast, Phoenix TV (a private television company in Hong Kong which has approximately fifty million viewers living in mainland China), has no such internal censorship. Phoenix TV programmes, from production to broadcast, only need to be reviewed by the executive editor or executive producer of a television programme and the general producer of the television programme production team; that is, the first and second hierarchies of the internal censorship of China's television broadcasting institutions.

<sup>249</sup> However, the performance of China's television broadcast institutions when the Wenchuan Earthquake occurred in Wenchuan county of Sichuan province on 12 May 2008 was excellent due to their quick response and comprehensive reporting. This implies that the programmes producing ability and level of China's television broadcasting institutions are gradually becoming enhanced.

Besides problems associated with the UPB operation pattern, there is another serious problem that persists in China's production market of television; that is, China's television practitioners have to avoid touching upon politically and morally sensitive issues when producing their television programmes, in keeping with the requirements of their political task masters and the direction of public opinion (section 6.1 of this chapter). This means that many politically and morally sensitive issues cannot be discussed or debated publicly. However, simply because these issues are not touched upon does not mean that they do not exist. They are merely hidden, set aside provisionally. Many scholars suggest that in time these latent issues will rise to the surface. So avoiding touching upon politically and morally sensitive issues neither helps solve these issues nor ensures television programmes that can capture the attention and interest of Chinese audiences. Under these circumstances, China's media practitioners attempt to run an opposing broadcast operation pattern of television programmes and series to the UPB operation pattern of China's production and broadcast markets of television programmes; that is, the 'separation of production and broadcast' (制播分离) (SPB) operation pattern<sup>250</sup>. So, how did the SPB operation pattern impact on China's production and broadcast marketing of television programmes? Did the actual running of the SPB operation pattern meet the expectations of China's media practitioners? A detailed discussion centring on the SPB operation pattern will be presented in section 6.3.2.3 of this chapter.

<sup>250</sup> The 'separation of production and broadcast' (SPB) operation pattern implies that the process of production (involving plan, script, investment, shoot and edit) and broadcast of a given television production (television programme or television series) is undertaken by two different television institutions or enterprises. Generally, after television productions are produced, they are launched on a trading market and traded. Broadcasters purchase the television productions on the trading market according to audience demands or certain broadcast needs. The important feature of the SPB operation pattern is that the production market and broadcast market are connected by a trading market (Scholar B, personal communication, Beijing, 11 January 2007; Media Practitioner C, personal communication, Jinan, 4 January 2007). More discussions related to the SPB operation pattern in China's television industry are in the later section 6.3.2.3 of this chapter.

(2) *China's TV Series Production Market and the Market Chain of China's Television Series Industry.*

Compared with the television programmes production market, China's television series production market and other markets (capital, trading, broadcasting, consumption and investigating markets) of the market chain have a higher degree of market division and specialisation (or higher degree of marketisation). They are also the sole group of markets in China's television industry that are driven or influenced more by market forces and economic interests than by politics and policies. This clearly represents the operation of a relatively complete and mature market chain of China's television series industry (see earlier Figure 6.4): (a) Capital invested in this particular industry can be diversified by virtue of the deregulation of the relevant policies or regulations<sup>251</sup> that supply the requisite 'blood' for the operation of the television series industry; (b) The production market of China's television series has higher degrees of market diversity and specialisation. At present, almost all producers, scriptwriters, directors, actors/actresses, cameramen and editors of this particular series are free professionals: they comprise a temporary group occupied in the making of television series. Once a series is completed, they will go back to the market to await the next job; (c) The trade modes of television series in China are many; they mainly include (i) 'cash transaction', (ii) 'advertising compensation'<sup>252</sup>, (iii) 'combination of cash transaction and advertising compensation', and (iv) 'purchaser earlier investing funds in television series

<sup>251</sup> In terms of the *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industries*, the government encourages non state-owned (or non public-owned) capital, i.e. private capital investment in the production and distribution of television series (although there are still certain restrictions on foreign capital. At present, the capital invested in China's television series industry is diversified; it may be state-owned (or public-owned) capital, private capital and even foreign capital (Scholar D, personal communication, Jinan, 18 December 2006). See Chapter Four (4.1.2.3) for details of the *Regulations Regarding Non State-owned (or Non Public-owned) Capital Entering into Cultural Industries*.

<sup>252</sup> The term 'advertising compensation' means that purchasers (i.e. broadcasters) do not pay cash to television series providers (i.e. producers) but substitute a certain amount of advertising time for the cost of buying a television series (Scholar B, personal communication, Beijing, 11 January 2007).

production<sup>253</sup>; (d) China's broadcast market (or network) of television series is composed of various television broadcasting institutions. These television broadcasting institutions are both purchasers and broadcasters; platforms of television series broadcast may be terrestrial, cable and/or satellite; (e) In China, television series attract the largest television audience market share of 28.1 per cent<sup>254</sup>. This implies that China's consumption market of television series is relatively more mature than other forms of television production; (f) The relevant investigating statistics of television series have been viewed as a commodity sold to the investors, producers, broadcasters and advertisers of television series for evaluating their investments, productions, broadcast, trades or further cooperation. It thus can be seen that the investigating market of China's television series has been satisfactorily shaped. Indeed, the above relatively complete and mature market chain of China's television series industry is a valuable reference for the improvement of the market chain of China's television programme industry.

Why has China's television series industry achieved a relatively complete and mature market chain when China's television programme industry has not? There are two primary contributing factors. The first involves the government's relatively relaxed policies and regulations and its soft attitude towards China's television series industry<sup>255</sup>. The second is the self featured nature of television series. For example, on average the cost of producing a

<sup>253</sup> The term 'purchaser earlier investing in television series' means that a purchaser (i.e. a broadcaster) invests money in the production of a given television series at the beginning as one of the investors. Once this television series is made, this purchaser has the priority to broadcast the series free of charge. Furthermore, as an investor, the purchaser may obtain profit by trading this television series with other purchasers (Scholar B, personal communication, Beijing, 11 January 2007).

<sup>254</sup> Figure 4.3 shows the distribution of television audiences' market share of different types of television productions in China in 2005. In light of the statistics shown in Figure 4.3, television series attract the largest television audience market share of 28.1 per cent in China (Zeng, 2006). More details pertaining to Figure 4.3 appear in section 4.2.2.2, Chapter Four.

<sup>255</sup> For example, 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 1<sup>st</sup> 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).

television series is much higher than that of producing a single television programme<sup>256</sup>. Moreover, the production time of a 'run-of-the-mill' television series is much longer and involves a larger number of personnel compared with the production time of a television programme<sup>257</sup>. A combination of these factors has forced the television series industry to adopt the SPB rather than the UPB operation pattern. Under these circumstances, the market chain of China's television series industry has developed in line with the drives of market forces and rules, and less in concert with political or policy intervention.

During the rapid progress of China's television series industry, two primary problems have inhibited its production market: (a) The production capacity of a television series is far higher than its actual broadcast capacity<sup>258</sup>. This discrepancy results in a serious waste of social resources; (b) there is excessive repetition of themes and content of television series due to lack of creativity, rampant imitation, and the relative superabundance of capital enjoyed by China's television services production market<sup>259</sup>. Hence, the government needs to put in place measures that will prevent these problems from worsening. For example, the government could strengthen its macro-control on the production capacity of television series thereby

<sup>256</sup> Currently, the average expenditure of making a fifty minute television programme is approximately 50 thousand yuan (approx. USD 6,651), while the average expenditure of making a fifty minute episode of a television series is approximately 300 thousand yuan (approx. USD 39, 906), which is six times that of the former. According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the Chinese yuan (CNY) on 30<sup>th</sup> September 2007 was 1:7.51756, which is regarded as the only exchange rate between USD and CNY in this chapter.

<sup>257</sup> In China, the duration of producing a television programme is one to two weeks; even special productions can not exceed one month. While the duration of producing a television series with thirty episodes is generally eight to twelve months, some with more episodes need longer time. Usually, the number of personnel of one television programme production team ranges from several to dozens. Television programme production teams comprising in excess of twenty full-time staff are very few. By contrast, a television series production group may number dozens or even hundreds of personnel, including producers, scriptwriters, directors, actors/actresses, cameramen, editors and other temporary staff.

<sup>258</sup> According to *CHINA.COM.CN* (2007), the output of television series in China was approximately 13,840 episodes in 2006. However, only half of these television series (approx. 7,000 episodes) were broadcast and the other half are still 'sleeping' in storage. This actually led to serious waste of social resources.

<sup>259</sup> During the ten months from June 2006 to April 2007, two television series about Yuanzhang Zhu (the first emperor of Ming Dynasty), three television series about King Gou Jian of Yue, and three television series about Shimin Li (the second emperor of Tang Dynasty) were broadcast one after the other on China's television screen. This clearly reveals the excessive repetition of theme and content of television series due to the aforementioned lack of creativity, to imitation, and the relative superabundance of capital enjoyed by China's production market of television series (Qiu, 2006; Chen, 2007; Zhao, 2007).

reducing the output numbers of television series and avoiding a serious waste of social resources. Furthermore, the government could encourage creativity and innovation in China's television industry and effectively implement a legal system that will protect television productions' copyright. Markets (e.g. the production market of television programmes, broadcast market and investigating market) must experience more in-depth opening, allowing superfluous social capital to flow to these markets, thereby preventing the excessive concentration of capital in China's production market of television series. More recommendations regarding the reform of the production market of television series as well as other markets in the market chain of China's television industry will be provided in Chapter Seven (7.2). The focus of the next section is upon the problems extant in the trading market of China's television market chain.

### **6.3.2.3 The Problems Extant in the Trading Market of the Market Chain of China's Television Industry**

As Figure 6.4 has shown, it is the trading market that connects the production market and broadcast market in the market chain of China's television industry. The trading market is an important pathway in that it transforms television productions (or services) into consumption by audiences, in this way realising both the use and exchange values<sup>260</sup> of television productions (or services). The primary condition of trading market existence must be the SPB operation pattern run between the production and the broadcasting markets of television productions (discussed previously in section 6.3.2.2 of this chapter). In other words, if it is under the UPB rather than the SPB operation pattern, the trading market has no possibility of

<sup>260</sup> See sections 2.2 and 2.3 of Chapter Two for the literature review of 'use and exchange values'.

existence because both the production and broadcasting of a given television production are carried out by the same television institution. Despite the fact that the UPB operation pattern continues to dominate China's television production and broadcasting markets (mainly television programmes), the SPB operation pattern has been in use in China's television industry for the past ten years. Particularly in China's television series industry, the production and broadcasting of almost all television series has adopted the SPB operation pattern<sup>261</sup>. However, in the case of the television programme industry, the SPB operation pattern has failed to meet the expectations of most of China's media practitioners. The focus of this section is upon an analysis of the actual situation of SPB operation pattern practice in China's television programme industry. As well, the problems that beset the trading market of the market chain of the country's television industry are addressed.

*(1) The Actual Situation of SPB Operation Pattern Practice in China's Television Programme Industry*

During ten years of utilisation of the SPB operation pattern by China's television programme industry thousands of television programme production companies have been established. Despite this, only a few of these companies (such as Enlight Media<sup>262</sup> and Joy Media<sup>263</sup>) have been able to operate on the market independently and to accrue profit through selling their television programmes to broadcasters. Most of them are actually affiliated to a television

<sup>261</sup> I have discussed the reasons why China's television series industry has adopted the SPB rather than the UPB operation pattern in section 6.3.2.2 of this chapter.

<sup>262</sup> Enlight Media, established in 1998, is one of the largest private production companies of television programmes, television series and movies in China. In 2007, Enlight Media produced over ten television programmes (mainly entertainment, music and fashion programmes), two hundred hours of television series and five movies (Enlight Media, 2008).

<sup>263</sup> In 1998, Joy Media was established. As one of the largest private production companies of television programme and television series in China, Joy Media produces over three hundred hours of television programmes (mainly entertainment and cultural programmes) and two hundred hours of television series each year. These television productions are broadcast by approximately two hundred Chinese television broadcasting institutions (mostly provincial and prefecture/city television stations/channels) (Joy Media, 2008).



broadcasting institution. It becomes obvious that the present running situation of the SPB operation pattern is not ideal and fails to meet the expectations of most of China's media practitioners. In fact, in terms of the intimate relationship between television programme producers and broadcasters, there are four different running modes of SPB operation pattern in China's television programme industry.

#### (a) Non-SPB Operation Pattern

The 'Non-SPB operation pattern' is actually the UPB operation pattern that continues to dominate China's production and broadcast markets of television programmes today. At present, the Non-SPB operation pattern (i.e. the UPB operation pattern) has been widely adopted by China's television programme industry, that is, by most television broadcasters. This means that most of China's television broadcasting institutions are both producers and broadcasters of aired television programmes.

#### (b) Primary-SPB Operation Pattern

The 'Primary-SPB operation pattern' implies that a television broadcaster establishes a wholly-owned subsidiary television programme production company that produces one or several television programmes for (and only for) its parent company (i.e. this particular broadcaster). The broadcaster pays this production company the costs of producing programmes and running expenses. The actual role and function of this subsidiary television programme production company is the same as the production department of this television broadcaster. Staff who work for the production company are also regarded as personnel of the television broadcaster. Therefore, the intimate connection between the television broadcaster

and its subsidiary programme production company according to this mode can be described as a ‘father-child relationship’<sup>264</sup>.

#### (c) Intermediate-SPB Operation Pattern

The ‘Intermediate-SPB operation pattern’ implies that the purpose of establishing a television programme production company is to produce several television programmes mainly for a particular television channel. Although this production company may have private capital investment, it also has very close business and cooperation ties with an established television channel. For example, Beijing Yinhan Culture and Communication Company (BYCCC) and the Life Channel of Beijing Television Station (BTV-7) have adopted the Intermediate-SPB operation pattern. Almost all television programmes aired by BTV-7 are purchased from BYCCC in line with the terms of contract. BYCCC basically only provides television programmes to BTV-7. Thus, under this mode the intimate degree between the television broadcaster and the television programme production company may be termed an ‘uncle-nephew relationship’.

#### (d) Perfect-SPB Operation Pattern

‘Perfect-SPB operation pattern’, i.e. the ideal SPB operation pattern, means that the process of production and broadcast of a television programme is undertaken jointly by two different television institutions or enterprises. Generally, after television programmes are produced, they are launched into a trading market and duly traded. Broadcasters’ purchasing of the

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<sup>264</sup> For example, production and broadcasting of the television programme ‘Chinese Idol’ (*Chao Ji Nü Sheng*) uses the Primary-SPB operation pattern, produced by the subsidiary television programme production company Golden Eagle Broadcasting System (i.e. Hunan Media Group) and aired through Golden Eagle Broadcasting System’s satellite television channel (Hunan Satellite television Channel) to all cable television users in China (Scholar B, personal communication, Beijing, 11 January 2007).

television programmes on the trading market is dictated by audience demand and/or certain broadcast needs. The important feature of the SPB operation pattern is that the production market and broadcast market are connected by a trading market (see section 6.3.2.2 of this chapter).

As suggested earlier, the Perfect-SPB operation pattern has been adopted more by China's series industry and less by China's programme industry. However, if during the process of the limited trade between the television programme production companies and television broadcasters (mainly television stations), a serious problem develops, then the production companies may be forced into an unequal and unfair position. I discuss this issue in detail in the following section.

## *(2) The Problems Extant in the Trading Market of the Market Chain of China's Television Industry*

Based on the above analysis, it becomes clear that while Non-SPB (i.e. UPB), Primary-SPB and Intermediate-SPB operation patterns have been widely adopted, the Perfect-SPB operation pattern is utilised to a lesser degree by China's programme industry. This has not only become the major problem in the trading market of the market chain of China's television industry but has given rise to yet another serious issue. Programme production companies are forced into an unequal and unfair position when trading with television broadcasters (mainly television stations). How has this come about? The primary trading approaches to China's television trading market will now be explored.

There are four primary trading approaches to the television trading market in China: (a) The first takes the form of television festivals and international television production exhibitions/fairs such as those hosted by Shanghai Television Festival and China International Film and Television Programs Exhibition. However, the top level trading goods at these festivals/exhibitions/fairs are television series. Television programmes represent a small percentage of total trade content and volume<sup>265</sup> only; (b) The second approach is the direct transaction between television programme production companies and television broadcasters (mainly television stations). This approach is employed more for trading of television programmes and less for television series trading. As discussed previously, in China most television programmes are produced and broadcast through Non-SPB (i.e. UPB), Primary-SPB or Intermediate-SPB operation patterns. Only a few programmes are produced and broadcast via Perfect-SPB operation patterns. A direct trading approach is considered important by television programme production companies but less so by television broadcasters<sup>266</sup>. The volume of television programmes produced by production companies is more than the actual demand of television broadcasters as the latter can access programmes through Non-SPB (i.e. UPB), Primary-SPB or Intermediate-SPB operation patterns, rendering the statuses of television programme production companies and television broadcasters less than equal and trading between them possibly unfair<sup>267</sup>. Due to these circumstances, most of China's smaller television programme production companies have had to close down: only a

<sup>265</sup> For detailed statistics vis-a-vis the Shanghai Television Festival and the China International Film and Television Programs Exhibition, see section 4.2.2.2 of Chapter Four.

<sup>266</sup> According to the previous discussion in this section, the Perfect-SPB operation pattern and the direct transaction approach are essential if television programme production companies are to sell their productions and survive. Television broadcasters (mainly television stations), may gain programmes through Non-SPB (i.e. UPB), Primary-SPB or Intermediate-SPB operation patterns but not via Perfect-SPB operation patterns. Thus, the direct trading approach while of considerable importance to television programme production companies, is unnecessary for television broadcasters.

<sup>267</sup> According to Scholar B (personal communication, Beijing, 11 January 2007), Focus Group One (personal communication, Jinan, 22 December 2006) and Focus Group Three (personal communication, Jinan, 25 December 2006), it is very common in the trading market of China's television industry to find television programme production companies forced to accept certain unfair items (e.g. lower price of selling programmes and late payment) when signing contracts with television broadcasters (mainly television stations).

few larger companies, e.g. Enlight Media and Joy Media have survived; (c) The third approach is the displaying of television productions (mainly television series) organised by television production institutions or enterprises. Such displays are usually arranged to promote a new television series rather than television programmes. Due to the relatively high organisational cost of an individual display, displays are mostly arranged to coincide with television festivals or (international) television production exhibitions/fairs in order to gain maximum profit with minimal outlay; (d) The fourth approach is online/Internet trading. In recent years, online shopping/selling has become increasingly popular in line with the rapid expansion of the Internet around the world. This ‘fashionable’ trade approach has been applied to the television production business. Television production trading websites have now appeared in China, e.g. [www.cntvweb.com](http://www.cntvweb.com). However, information on these websites is restricted to offering information about the latest television programmes, series, scripts and equipment, employment advertisements, audience rating investigations, and television guides for the main television channels. They do not provide the services of online previews of television productions, online support, online contract signing and online payment. In this sense, such websites cannot be considered the real online/Internet trading market of television productions. They may be viewed only as an online/Internet information platform for television productions.

Due to the wide usage of Perfect-SPB operation patterns in China’s television series industry, diverse trading approaches are employed. Market forces and rules dominate and regulate the behaviour on the television series trading market. Trade between China’s television series producers and broadcasters is relatively equal and fair. By contrast, it seems impossible for

television programme production companies to achieve equal status when trading with television broadcasters because of the wide adoption of Non-SPB (i.e. UPB), Primary-SPB and Intermediate-SPB operation patterns and minimal popularisation of the Perfect-SPB operation pattern in China's television programme industry. Unfair trade practices have resulted in most of the smaller television programme production companies closing: only a few of the stronger and larger companies have survived. Recommendations concerning the reform of the trading market of China's television market chain appear in Chapter Seven (7.2). The next section explores the problems that hinder the broadcasting market of China's television market chain.

#### **6.3.2.4 The Problems Extant in the Broadcasting Market of the Market Chain of China's Television Industry**

As with western countries' (the U.S., for example) broadcasting markets, the broadcasting market of China's television market chain also contains three primary television transmission networks: terrestrial, cable and satellite. In the West, television transmission networks may be privately, public or state-owned. However, in China, irrespective of whether they are terrestrial, cable or satellite, television transmission networks are state-owned and affiliated to diverse television broadcasting institutions. This is because almost all of China's terrestrial, cable and satellite television transmission networks are invested in – and established, maintained and operated by – both the television broadcasting institutions and the governments at various administrative levels. Thus, like China's television broadcasting institutions, the stated-owned television transmission networks are administrated by the government and subject to supervision by the Party. The system, organisational structure and

administrative arrangement of China's television broadcasting market reflects the fundamental requirements of China's basic political system ODSS, i.e. guarantees absolute control of China's television transmission networks by the government on the Party's behalf.

Recent years have seen China actively developing digital television (DTV) as well as constructing digital television transmission networks. But because DTV development in China is still in the initial stages, the covering areas and user numbers of DTV (transmission networks) are much smaller than those of traditional analog transmission networks. In the following section I discuss China's (analog) terrestrial, (analog) cable and (analog) satellite television transmission networks, China's television broadcasting market, and the problems that persist in them<sup>268</sup>.

### *(1) (Analog) Terrestrial Television Transmission Networks*

The earliest transmission network to emerge, the terrestrial television transmission network, is the most extensively covered television transmission platform in China. By the end of 2005, this network had achieved 95.81 per cent penetration rate and attracted 1.228 billion audiences (W.B. Wang, 2006). But despite its high penetration rate and large audiences, each terrestrial television audience can access approximately six terrestrial channels only; the nationwide CCTV-1 Mixture and CCTV-2 Economy<sup>269</sup>, two local province-wide channels<sup>270</sup>

<sup>268</sup> In this section (6.3.2.4), the terms terrestrial, cable and satellite television transmission networks respectively denote analog terrestrial, analog cable and analog satellite television transmission networks in general (unless indicated otherwise).

<sup>269</sup> CCTV-1 Mixture and CCTV-2 Economy are transmitted simultaneously through the nationwide terrestrial, cable and satellite networks covering the whole of China.

<sup>270</sup> The two local province-wide channels denote Channel-1 and Channel-2 of a given provincial television station. Generally, Channel-1 of a provincial television station is transmitted simultaneously through the province-wide terrestrial and cable networks covering the whole of this province, as well as via the nationwide satellite network covering the whole of the country. Channel-2 of a provincial television station is transmitted simultaneously through the province-wide terrestrial and cable networks only covering the whole of this province.

and two local prefecture-wide/city-wide channels<sup>271</sup>. Furthermore, due to the degree of distance between the originating source of the terrestrial television signal and the mountainous terrain, many audiences who live in China's remote mountainous areas fail to receive good quality terrestrial television pictures and clear sound. In some of the country's big cities, the rapid proliferation of high-rise buildings in recent years has impacted on the terrestrial television signal, which has become increasingly diminished due to the intrusive effects of these 'forests of buildings'. Under these circumstances, most urban residents have opted to abandon terrestrial television in favour of cable television, which has more channels and better quality pictures and sound<sup>272</sup>. Nowadays, most urban residents in China have basically forgotten terrestrial television; teenagers who live in China's cities have little concept of this mode, all of which indicates that China's terrestrial television has become marginalised.

Irrespective of the above, it is generally agreed that terrestrial television should not be discontinued in China. Compared with the terrestrial television industry in the U.S., for example, there is still considerable room for the development of China's terrestrial industry. By using digital technology, the terrestrial television's channel number and capacity – as well as its quality of pictures and sound – may lend itself to improvement. China's terrestrial television industry must have a good future given that it once owned the world's largest terrestrial television market.

<sup>271</sup> The two local prefecture-wide/city-wide channels denote Channel-1 and Channel-2 of any one prefecture/city television station, usually transmitted simultaneously through the prefecture-wide/city-wide terrestrial and cable networks covering the whole of this prefecture/city. In some counties, terrestrial television audiences may receive an extra county-wide terrestrial channel aired by the local county broadcasting and television station.

<sup>272</sup> According to Media Practitioner B (personal communication, Jinan, 31 December 2006) and Focus Group One (personal communication, Jinan, 22 December 2006), an (analog) cable television user in China can receive approximately sixty cable channels, ten times more terrestrial channels than a terrestrial television audience can receive.



*(2) (Analog) Cable Television Transmission Networks*

China's cable television transmission network, the television transmission platform experiencing the most rapid development on the television broadcasting market, had over 128.42 million users and covered all of China's provinces, prefectures/cities, and most counties by the end of 2005<sup>273</sup> (State Administration of Radio, Film and Television, 2006; Yang and Zhu, 2006). China's cable television transmission network is a unified nationwide network that covers most urban areas and many rural areas. However, this ostensibly unified nationwide network is actually composed of thousands of local (mainly prefecture/city or county) cable television systems, originally invested in, established by, and later maintained by the prefecture/city or county television broadcasting institutions or bureaus of radio and television (BRTs), are owned and controlled by China's thousands of local governments at prefecture/city or county levels. Within this *modus operandi*, each of China's cable television systems runs individually and cooperates little with others, directly resulting in the benefits of 'economies of scale'<sup>274</sup>, of a unified cable television network not being given full play and to some extent wasting social resources. Particularly during the comprehensive promotion period of digital cable television in China, the integration and digital transformation of thousands of local (analog) cable television networks came up against strong resistance from most local (mainly prefecture/city or county) governments, which saw the potential of integration and digital transformation to damage their interests. Due to these concentric approaches, the establishment of a unified nationwide digital cable television transmission network in China

<sup>273</sup> China's 128.42 million cable television users comprise 124.45 million analog cable television (ACT) users and 3.97 million digital cable television (DCT) users (State Administration of Radio, Film and Television, 2006). Most cable television users live in the urban areas. According to Yang and Zhu (2006), in 2005, approximately 77.6 per cent of urban residents joined the local cable network and received about sixty cable television channels on average. See China's cable television section, 4.2.2 of Chapter Four.

<sup>274</sup> For a theoretical review of 'economies of scale' see section 2.3.1, Chapter Two.

was seriously impeded: each local cable television system went about things in its own way; the development of China's digital cable television thus had to be repeatedly delayed<sup>275</sup>.

### *(3) (Analog) Satellite Television Transmission Networks*

China's satellite television transmission network, an increasingly important transmission platform of the television broadcasting market, is essentially different from western countries' satellite television transmission networks or direct broadcast satellites (DBS). This difference is in the satellite television transmission or DBS, a widely operating 'direct-to-home' (DTH)<sup>276</sup> service offered in some western countries (e.g. the U.S.). The Chinese government still forbids DTH: it only allows 'indirect-to-home' (ITH) satellite television transmission<sup>277</sup>. According to the fifth and ninth items of *Regulations Regarding the Administration of Satellite Television and Radio Receivers* issued by the State Council of the PRC on 5 October 1993, individuals in China are forbidden to buy, sell, install and/or use satellite television and radio receivers for viewing satellite television or listening to satellite radio without first the gaining permission from the relevant government departments (Hu, 2000). Due to these restrictive *Regulations*, at present China's satellite television transmission has to adopt ITH rather than DTH on the broadcasting market of China's television industry.

<sup>275</sup> For detail vis-a-vis the development and actual situation of digital cable television in China see section 4.2.2.3, Chapter Four. More discussion related to China's digital cable television transmission network and the problems extant in the digital television development process appears in section 6.4 of this chapter.

<sup>276</sup> As analysed in Chapter Five (5.1.2.3), 'direct-to-home' (DTH) means that DBS companies (or satellite television broadcasters) 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 that receives the 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).

<sup>277</sup> 'Indirect-to-home' (ITH) satellite television transmission in China implies that due to the Chinese people being individually forbidden to receive any satellite television signals, channels or programmes, all satellite television channels and programmes of CCTV and provincial television stations are first transmitted via satellite to China's thousands of local (mainly prefecture/city or county) cable television systems. Then, thousands of prefecture/city or county cable television systems retransmit the satellite television channels and programmes of CCTV and provincial television stations to their users. This transmission pattern is very like that of the superstation of the U.S (see section 5.1.2.2 Chapter Five) (Media Practitioner B, personal communication, Jinan, 31 December 2006; Official B, personal communication, Jinan, 26 December 2006).

The government does have its own legitimate purpose, i.e. consideration of national security and the stable ruling status of the CPC. Under the current political system ODSS in China, all forms of television transmission networks (terrestrial, cable and satellite) must come under the absolute control of the government and the Party. As satellite transmission is beyond the national boundaries, China's rulers do not want the public watching foreign channels or programmes broadcast by foreign satellite transmission networks (or DBS) that may threaten their ruling status and national security, particularly during certain crucial periods (e.g. the SARS crisis). This is why to date there is no real DBS company in China and the DTH satellite television service is not available to the common Chinese families.

However, forbidding the DTH satellite television service does not mean that it does not exist in China's (satellite) broadcasting market. Currently, there are many illegal satellite receiver retailers in China (mainly in the urban areas). They sell and install satellite receivers at a 'reasonable price' to Chinese people who seek to view certain foreign satellite television channels or programmes clandestinely<sup>278</sup>. The existence of these illegal satellite receivers is considered a potential menace to China's national security (according to CPC ruling). Although the government has attempted to ban these illegal operations, the outcome has not met its expectations<sup>279</sup>. Thus, in order to solve this problem, the Chinese government has

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<sup>278</sup> According to Media Practitioner J (personal communication; Jinan, 26 December 2006), to individually buy, install and use satellite television and radio receivers in China is quite common practice now. The price of purchasing a satellite television and radio receiver (including installation charge and permanent subscription) ranges from 800 yuan (approx. USD 106) to 3,000 yuan (approx. USD 399) in terms of the number of received channels. This price is obviously not expensive for Chinese who live in the urban areas. In fact, these satellite receiver retailers may be cheap due to obtaining decryptions of receiving satellite television (or radio) channels without paying broadcasters any fees (or subscriptions). The behaviour of both satellite receiver retailers and buyers is typically illegal and pirating.

<sup>279</sup> The following primary factors mark the illegal phenomenon. First, there are the Chinese audiences who need and want to watch satellite television. This actually provides those illegal satellite receiver retailers a demand market. Under the market economy system, markets will automatically balance supply and demand. This principle is not easily altered by *Regulations* or law enforcement officials alone. Second, most individual satellite receivers are installed on the roofs, balconies or exterior walls of private houses, apartments or units. Even if they are detected they are not easy to take apart (Focus Group One, personal communication, Jinan, 22 December 2006).

started to contemplate the promotion of DBS, the supply of DTH services and the establishment of legal (or official) DBS companies<sup>280</sup>. This may effectively encourage Chinese audiences to watch (or listen to) satellite television and radio channels that the government approves and permits.

In short, on the broadcasting market of the market chain of China's television industry, irrespective of whether they are terrestrial, cable or satellite, television transmission networks across the board are owned and controlled by the government (on the Party's behalf) due to considerations of national security and the stability of the ruling status of the CPC. Under these circumstances, China's broadcasting market primarily serves politics and then focuses on self-development. During the development of China's broadcasting market, the cable television transmission network has obviously progressed more rapidly than the other two. Nevertheless, because China's ostensibly unified nationwide cable television network is composed of thousands of individually-operated local (mainly prefecture/city or county) cable television systems, the benefits of 'economies of scale' for China's cable television broadcasting market cannot be given full play. Attempts to reduce the waste of social resources, at least to some extent, have failed. Recommendations regarding the solution of the problems extant in the broadcasting market of the market chain of China's television industry are offered in Chapter Seven (7.2). In the next section, I discuss the problems associated with the consumption market of the market chain of China's television industry.

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<sup>280</sup> As I suggest in Chapter Four (4.2.2.3), the SARFT proposed a 'three-step strategy' for China's DTV development. The second step was about the development of DBS, such as launching China's home-made communications and broadcast satellite and promoting DBS service in China. Although China's first home-made communications and broadcast satellite Sinosat-2 was "unable to be put into broadcasting and telecommunications services" due to failure to "deploy its solar arrays and communications antennas" after it was launched on 29 October 2006. However, the DBS development project in China has not ended (CRIENGLISH.com, 2006). A new Chinese home-made communications and broadcast satellite is in the making and its launching has been put on the agenda. More content concerning the development of DBS in China appears in section 4.2.2.3, Chapter Four.

### **6.3.2.5 The Problems Extant in the Consumption Market of the Market Chain of China's Television Industry**

The term 'consumption market' refers to entire audiences, i.e. the ultimate consumers of television goods or services, who are also called 'audience markets' (see section 2.3.4, Chapter Two). The dominant factors of market economy should be consumers and technologies. Market demand (i.e. how consumers use their money in terms of their own preferences) decides the ultimate allocation of social resources; that is, what producers make through the usage of social resources. Of course, no social production could exceed the limitations of the development of technology at that time (see also sections 2.2 and 2.3, Chapter Two). This principle can be applied equally to television industry economics. In western developed countries, the demands or preferences of audiences to a great extent determine the type and content of television productions on the market, which is the typical representation of a market economy. However, Chinese audiences are not able to choose what kind of television productions they can consume on the market due to the dictates of politics. As discussed earlier in section 6.1.2.1 of this chapter, China's ODSS political system underpins its OOTOP television system. Within the framework of OOTOP, the making and content of television productions must serve politics first and then the public. Taking into account the demands or preferences of audiences is of secondary importance. Under these circumstances, the television productions supplied to the consumption market of China's television market chain definitely cannot meet the increasing consuming needs and preferences of Chinese audiences. This has become a primary problem of China's television consumption market.

Chinese audiences represent not only the whole of China's television consumption market: they are also essentially the roots for the survival of all preceding markets in the television-industry market chain. Despite the fact that Chinese audiences cannot choose what they really want to access in the current Chinese television consumption market due to the influence of politics, one day they may be able to use their money to decide the type and content of television productions on the market in terms of their personal demands or preferences.

#### **6.3.2.6 The Problems Extant in the Investigating Market of the Market Chain of China's Television Industry**

China's television industry had no real investigating market until 1984 when ACNielsen<sup>281</sup>, the world's famous investigating enterprise, initiated its business in China (Lu, 2002). On 4 December 1997, CTR Market Research (CCTV's affiliate company) and the Taylor Nelson Sofres (TNS) Group (a global market insight and information group and the world's largest provider of custom research) jointly established the largest investigating enterprise in China's television industry to date – CVSC-Sofres Media (CSM)<sup>282</sup> (CSM, 2007; TNS, 2007). Since then, the investigating market of the market chain of China's television industry has been

<sup>281</sup> "ACNielsen was established in the United States in 1923 by Arthur C. Nielsen, Sr., one of the founders of the modern marketing research industry... ACNielsen opened its first international office in the UK in 1939 and, after World War II, progressively expanded its operations in Western Europe, Australia and Japan. The company increased its presence in the Asia Pacific region in 1994 by acquiring the Survey Research Group, and in the Middle East and Africa in the late 1990s through the acquisition of AMER World Research. In 2001, ACNielsen became part of VNU, a world leader in marketing information, media measurement and information and business media... In 2006, VNU was acquired and privatised by a consortium of six private equity firms. In 2007, VNU changed its name to The Nielsen Company..." (Nielsen, 2007).

<sup>282</sup> CVSC-Sofres Media (CSM) is "a joint venture between CTR Market Research (the leading market research company in China) and the TNS Group. Dedicated to television and radio audience measurement research, CSM Media Research offers reliable and uninterrupted ratings information for Hong Kong SAR and China. As the 'currency' of the television, radio broadcasting and advertising trade. CSM Media Research operates the world's largest television and radio audience measurement panel, covering China's 1.2 billion television populations (including the Hong Kong SAR's 6.4 million television and radio audience). This operation covers 229 individual markets (comprising the national entity, 27 provinces and 201 cities including the Hong Kong SAR), with some 54,000 homes and 178,800 panelists participating in the measurement of over 1,336 main channels and 398 radio frequencies, every day of the year" (CSM, 2007).

fundamentally monopolised by the aforesaid two investigating enterprises (Lu, 2002).

Because CSM's largest investor CTR Market Research is the affiliate company of CCTV, it has 'official colour' and is viewed in China as a semi-official investigating enterprise. In recent years, by virtue of its semi-official identity and special relationship with the government, the relevant statistics produced by CSM are regarded as the only official investigating results vis-a-vis China's television investigating market. Almost all of China's television broadcasting institutions (and some of its television enterprises) are forced to purchase CSM's investigating statistics as the formal criterion assessing their daily business. In this way, CSM's market share has become increasingly high: however, simultaneously, the survival space of ACNielsen in China's television investigating market is gradually shrinking. The whole of the investigating market of China's television market chain bends to one power, i.e. CSM dominance. This has become the most serious problem associated with China's television investigating market.

In a situation where one power (i.e. CSM) dominates, the Chinese investigating market has lost all notions of fair competition and the motivation power for sustainable development. Many investigating statistics produced by CSM fail to gain the trust of China's television broadcasting institutions and other television enterprises. Most of them buy additional investigating statistics produced either by ACNielsen or by local television investigating companies<sup>283</sup> for comparison. But they have to quote CSM's statistics in their daily business.

In interviewee Official C's words, there should exist at least three or more nationwide

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<sup>283</sup> The local television investigating companies in China are mostly small in size and only produce the investigating statistics of a couple of local television broadcasting institutions or channels (Media Practitioner C, personal communication, Jinan, 4 January 2007).

comprehensive television investigating enterprises in China's television industry: free and fair competition needs to be introduced into the system. This would be the only way of providing a positive impetus to the development of China's television investigating market in the future<sup>284</sup> (personal communication, Jinan, 29 December 2006).

To summarise, compared with the systems and policies and the vertical organisational structure and horizontal administrative arrangement of the television industry in China, the influence and intervention of politics in the market chain of China's television industry is relative minor due to the effects of the thirty-year socialist market economy reform. However, this does not mean that the market chain is no longer subject to political influence. In fact, the six markets (capital, production, trading, broadcasting, consumption and investigating markets) of the market chain (mainly of the television programme industry) are subject to the 'pulls' and 'pushes' that signal both political and economic forces. In other words, they are involved in 'game-playing' between politics and the markets. At present, political force provisionally predominates in this game by dint of the fixedness of China's basic political economy ODSS as monumental. This is the root cause of most of the problems that combine to hamper the development of China's television market chain, as well as the industrialisation reform of the system and policy and the organisational structure and administrative arrangement of China's television industry. As suggested earlier in section 6.1 of this chapter, it can be predicted that ODSS will not undergo any essential change, at least not in the short or middle term. However, concomitant with the expansion of China's reform and opening up, the economic effect on politics will become progressively obvious. In time, China's political

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<sup>284</sup> Recommendations vis-a-vis reform of the investigating market of the market chain of China's television industry appear in section 7.2, Chapter Seven.



system will implement certain reforms at least to some extent, reforms that will herald the overall transformation of various facets of China's television industry involving system and policy, organisational structure and administrative arrangement, and the market chain<sup>285</sup>.

Relevant recommendations can be found in Chapter Seven (7.2). The next section concerns the problems that persist in the process of digital television development in China.

#### **6.4 Problems Extant in the Process of Digital Television Development in China**

In the above three sections (6.1, 6.2 and 6.3), I outline the various problems extant in both system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry. In fact, as a component of China's television industry, irrespective of whether it is analog or digital, television is confronted with the same problems that persist throughout various levels of the television industry. The fourteen results presented in this section are based on the in-depth interviews conducted with Scholars A, B, C, D, E and H, Media Practitioner I, and Officials C and D as well as Focus Groups One, Two and Three. Following these results, the discussion related to the problems that retard the process of China's DTV development and the primary factors that

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<sup>285</sup> As suggested earlier in this chapter, all of China's television broadcasting institutions, irrespective of whether they be at the central/national (e.g. CCTV), provincial (e.g. SDTV, Hunan Media Group and Shanghai Media Group), prefecture/city (e.g. JNTV and Guangzhou Television Station) or county levels (e.g. Shaoxing Country Broadcasting and Television Station), must be state-owned. Focus must neither be upon profit maximisation nor upon serving the public. It must be upon political communication, i.e. disseminating propaganda for the Party and the government. In this way, the fundamental operational system and organisational structure of China's state-owned television broadcasting institutions show no essential differences. The main distinctions among them are their diverse administrative levels and dissimilar programmes. This implies that a given television broadcasting institution (e.g. the Hunan Media Group or the Shanghai Media Group) cannot change its essential modes of ownership, basic operational system and organisational structure, even though it has achieved certain successes in the areas of programme making or management innovation. In order to meet research needs, sections 6.1, 6.2 and 6.3 of this chapter use CCTV, the largest and foremost television broadcasting institution in China, as a fundamental example to discuss the problems and successes in the Chinese television industry. In addition, SDTV and JNTV, which are regarded as representative of the provincial and prefecture/city television stations, have been argued or quoted in different ways. Restricting exploration to the above these institutions means that the remainder of China's television broadcasting institutions, which number into the hundreds and include the well-known Hunan Media Group, the Shanghai Media Group and the Guangzhou Television Station, are neither analysed nor discussed in detail in this dissertation. However, this does not mean that these television broadcasting institutions are running independently of the development of China's television industry. On the contrary, as important components of the industry, they are also strongly influenced by the China's current political system, television policies, and the structure, arrangement and market chain of the country's television industry. Like CCTV, SDTV and JNTV, they will benefit from the furthering of television industrialisation reform in China which consists of three steps. Details of the three steps will be provided in section 7.2, Chapter Seven.

contribute to these problems is presented.

#### **6.4.1 Results**

(1) The Chinese government's (mainly SARFT's) rush to develop DTV in China using coercive administrative approaches and policies, stemmed from the mutual effect of the following three factors: (a) the internal factor of China's television industry; (b) the external factor of China's television industry inside China; and (c) the external factor of China's television industry outside China (see Figure 6.5, section 6.4.2.1 of this chapter). These three factors constitute the primary factors that have influenced the development of DTV in China (Scholar C, personal communication, Beijing, 12 January 2007; Official C, personal communication, Jinan, 29 December 2006; Focus Group One, personal communication, Jinan, 22 December 2006).

(2) The internal factor of China's television industry has two aspects, the first being that political interest groups inside China's television industry want to control and monopolise China's DTV industry; the second is that SARFT officials attempt to seek the political kudos that will accompany the development of DTV (Scholar C, personal communication, Beijing, 12 January 2007).

(3) Regarding the external factor of China's television industry inside China, this is primarily the competitive pressure that China's other industries place on the television industry, notably in the field of digital mobile television (DMT). In the face of temptation, and driven by the prospect of enormous profits, China's television and telecommunication industries have tried

their best to develop digital terrestrial television (DTT) (notably the DTT standard study) because they are aware that whoever takes the lead in successfully researching DTT standards will certainly control and monopolise China's future DMT market (Focus Group One, personal communication, Jinan, 22 December 2006).

(4) Once foreign capital and media enterprises enter into China's television industry, DTV, as a new and rising area of television industry, with larger progressing and profit space (compared with analog television), will certainly be given priority in the areas of investment and development. Hence, given its fear of foreign capital and media enterprises, the SARFT will spare no effort to develop DTV in China before the 'outsiders' commandeer the market. In interviewee Official C's words, "If we do not do it [develop DTV], one day, foreigners will come in, they will do it. So, we must do it. And, we must do it soon" (Official C, personal communication, Jinan, 29 December 2006).

(5) The imbalance that signals the development of DTT, DCT and DBS has become quite an urgent problem for China's DTV transmission networks, one that needs to be solved without delay (Scholar C, personal communication, Beijing, 12 January 2007).

(6) To date, comprehensive construction of the DTT transmission network has yet to commence in China. There are two chief reasons for the delay: (a) China's terrestrial television audiences are mainly concentrated in the rural and remote mountainous areas which cable television does not cover; (b) Formal approval for China's home-made DTT standard came too late (Scholar D, personal communication, Jinan, 18 December 2006).

(7) How to reduce the dependence on commercial television advertising and increase the proportion of other sources of income (e.g. government subsidies, public funds and subscriptions) has become an important issue in the further development of both DMT and DTT (Focus Group One, personal communication, Jinan, 22 December 2006).

(8) The process of digitalising and integrating China's (original) thousands of local analog cable television systems and constructing the nationwide or large region-wide DCT transmission networks in China faced two serious impediments: lack of capital and resistance from local governments (mainly prefecture/city or county governments) (Scholar C, personal communication, Beijing, 12 January 2007; Scholar H, personal communication, Beijing, 10 January 2007).

(9) Although the launch of China's first home-made communications and broadcast satellite failed, the plan to develop DBS has not wavered. DBS must be considered one of the most important components of China's DTV industry in the future (Scholar D, personal communication, Jinan, 18 December 2006).

(10) As China's DTV rapidly expands the capacity of its channels (or spectrums), at the same time problems of lack of DTV programme production capability persist. The reality is that in analog television time, some cable television channels often air the same (or similar) programmes/series in the same timeslot, reflecting a lack of programme production capability due to deficiencies of money, professionals, and innovation in China's television industry. In

the present digital era, the problems pertaining to lack of programme production capability that already exist will become exacerbated (Media Practitioner I, personal communication, Beijing, 16 January 2007).

(11) Two primary reasons have worked to retard DTV programme production capability in China. The first is the present organisational structure and horizontal administrative arrangement of the country's television industry. The second has arisen out of the restrictions of *Decree No.42 of the State Council of the People's Republic of China – Administration Regulations of Introducing and Broadcasting Foreign Television Programmes* (Scholar B, personal communication, Beijing, 11 January 2007; Focus Group One (personal communication, Jinan, 22 December 2006).

(12) The limited income of most of China's rural citizens is spent on food, accommodation, clothing, medical treatment, travelling costs and education. Only a very small part is spent on television consumption. The poor consumption pattern of China's television audiences has seriously impeded the development of China's DTV industry (Scholar E, personal communication, Beijing, 13 January 2007).

(13) The minority Chinese urban residents exhibit higher consumption demands for DTV productions and services than the majority Chinese rural residents due to their better living conditions and higher levels of education. The poor consumption demands of Chinese television audiences in the main have become an increasingly major obstacle vis-a-vis the process of DTV development in China (Scholar A, personal communication, Beijing, 11

January 2007; Scholar E, personal communication, Beijing, 13 January 2007; Official D, personal communication, Beijing, 17 January 2007).

(14) The majority of Chinese television audiences basically has a ‘no paying’ approach to watching television. In other words, everyday Chinese people have become accustomed to either watching free television or paying a minimal fee (Focus Group One, personal communication, Jinan, 22 December 2006; Focus Group Two, personal communication, Jinan, 25 December 2006; Focus Group Three, personal communication, Jinan, 25 December 2006).

#### **6.4.2 Discussion**

In this section, the development of digital television (DTV) in China will be viewed as a study object to explore the problems that inhibit the development process of China’s DTV on the one hand, and to examine the primary factors that contribute to these problems on the other. This section contains four parts: the primary factors influencing the development of China’s DTV, DTV transmission networks in China, the content of China’s DTV, and the characteristics of Chinese television audiences<sup>286</sup>.

##### **6.4.2.1 The Primary Factors Influencing the Development of China’s DTV**

Based on my analysis of the development and actual situation of the television industry in China (see Chapter Four) and discussion of the problems that obtain at various levels of China’s television industry, one can clearly detect that to date any change, progress or reformation of China’s television industry has basically been driven by the government.

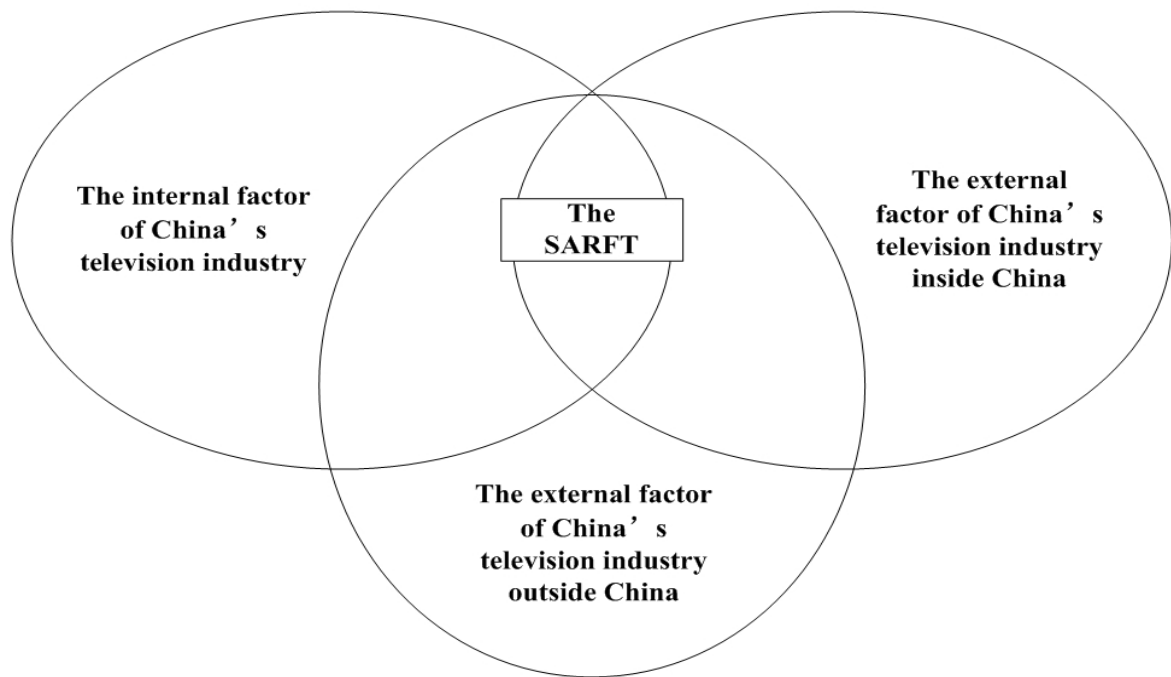
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<sup>286</sup> The term ‘Chinese television audiences’ in this section implies the common television audiences in China; this includes both the traditional analog and the new digital television audiences.

Policies, regulations, and decisions-making processes such as the ‘Television Stations Established on Four Administrative Levels’ (TSEFAL) strategy of 1983, television conglomeration reform between 1999 and 2004<sup>287</sup>, and the development of DTV in China all bear the stamp of government. In terms of the foregoing analysis of China’s DTV development, especially the process of digital cable television’s (DCT’s) comprehensive promotion and generalisation (see section 4.2.2.3, Chapter Four), the following conclusion may be arrived at: The entire process of DTV development in China, from top to bottom, is totally driven and controlled by its first mover or chief practical propagator, the Chinese government (mainly the SARFT), using coercive administrative approaches and policies. The process is not driven by markets, technological innovations or individual television institutions. It is driven by the Chinese government. This is the all-important force that drives and manipulates China’s television development. However, the relatively feeble influences of markets, technological innovations and/or individual television institutions still persist. In this section focus is on the following question: why did the Chinese government (mainly the SARFT) spare no effort to develop DTV in China? The Chinese government’s rush to develop DTV in China using coercive administrative approaches and policies stemmed from the mutual effect of the following three factors, as shown in Figure 6.5: (1) the internal factor of China’s television industry; (2) the external factor of China’s television industry inside China; and (3) the external factor of China’s television industry outside China. These three factors constitute the primary factors that have influenced the development of DTV in China.

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<sup>287</sup> Details pertinent to the ‘Television Stations Established on Four Administrative Levels’ (TSEFAL) strategy in 1983 and the practice of television conglomeration reform between 1999 and 2004 appear in section 4.1, Chapter Four.

**FIGURE 6.5 The SARFT at the centre of three factors of influence**

Summarised from: Scholar C (personal communication, Beijing, 12 January 2007);  
 Official C (personal communication, Jinan, 29 December 2006);  
 Focus Group One (personal communication, Jinan, 22 December 2006)

(1) First, take the internal factor of China's television industry, which has two aspects, the first being that political interest groups inside China's television industry want to control and monopolise China's DTV industry. For a long time, China's television industry has been the target of various political interest groups' contention for control and monopoly. As a new and rising component of China's television industry, the DTV industry is (and has been) targeted by the above groups because said groups understand that those who control this industry will control China's future television industry. Therefore, these groups' activities have motivated the SARFT to develop DTV rapidly so that they may occupy a favourable position in the future competition for China's DTV, particularly at the optimum moment – the beginning of DTV development in China. The second aspect is that SARFT officials attempt to seek the political kudos that will accompany the development of DTV. For historical and cultural



reasons, the 'official oriented' tradition continues to exist in Chinese society, especially in Chinese officialdom. Under the influence of an official oriented consciousness, officials generally cannot be promoted unless they have attained certain political achievements. This principle is also applicable to officials of the SARFT. In line with the official oriented tradition, while the SARFT's officials constitute the timeline of comprehensive promotion and generalisation of DCT in China (or the 'three-step strategy' for China's DTV development), their first priority is whether the timeline or strategy will bring them political kudos, not if the timeline or strategy is factual and feasible.

(2) Regarding the external factor of China's television industry inside China, this is primarily the competitive pressure that China's other industries place on the television industry, notably in the field of digital mobile television (DMT). For example, DVB-T of European Digital Video Broadcasting Standards (i.e. DVB Standards) were temporarily adopted as the digital terrestrial television (DTT) standard in China before the Chinese government approved and implemented its own home-made DTT standard. In order to cease its dependence upon other countries for DTT standards, the Chinese government encouraged research; as well, it applied China's home-made DTT standards. This provided an opportunity and a mutually competitive arena for developing DTT, especially DMT for China's television and telecommunication industries. Currently in China, the DTT standard is seldom applied to the terrestrial microwave transmission of traditional DTT. It is mostly used in the crossing field between the television industry and the telecommunication industry; that is, DMT, including mobile phone television, vehicle television (i.e. television installation inside buses, taxies, private cars, undergrounds and trains) and buildings television (i.e. television installation in public areas

such as office buildings, hotels, hospitals and shopping malls, toilets and lifts). As a country with the world's highest population and one of the nations with the greatest number of mobile phone users, vehicles and buildings in the world, China has a huge market for DMT development. Therefore, in the face of temptation, and driven by the prospect of enormous profits, China's television and telecommunication industries have tried their best to develop DTT (notably the DTT standard study) because they are aware that whoever takes the lead in successfully researching DTT standards will certainly control and monopolise China's future DMT market. This is the second factor (i.e. the external factor of China's television industry inside China – the competitive pressure from China's other industries), the reason why the SARFT is hastening to develop DTV in China albeit using coercive administrative approaches and policies.

(3) Last is the external factor of China's television industry outside of China. Globalisation has become a severe test that China's television industry has to confront within the current international political and economic system and structure. Despite the fact that the Chinese government continues to forbid foreign interests from entering China's television industry, strictly restricts the broadcasting of foreign television channels in mainland China, and disallows Chinese audiences watching of foreign television channels via personal satellite receivers, many Chinese scholars, media practitioners and officials believe that this dictum will in time be altered. China must to some extent open its television industry to foreign capital and multinational media institutions, firms or groups in the near future, in line with the in-depth processes of China's reform, opening up, and communication with other countries' various fields. Once foreign capital and media enterprises enter into China's television

industry, DTV, as a new and rising area of television industry, with larger progressing and profit space (compared with analog television), will certainly be given priority in the areas of investment and development. Hence, given its fear of foreign capital and media enterprises, the SARFT will spare no effort to develop DTV in China before the ‘outsiders’ commandeer the market. In interviewee Official C’s words, “if we do not do it [develop DTV], one day, foreigners will come in, they will do it. So, we must do it. And, we must do it soon” (personal communication, Jinan, 29 December 2006).

The above three factors that I have discussed, i.e. the internal and external factors both inside and outside of China’s television industry, have combined to motivate the Chinese government (mainly the SARFT) to hasten its development of DTV in China while simultaneously neglecting the important factor of the actual situation of China, particularly China’s television industry. This negligence on the part of the government underpins the various problems extant in many aspects of China’s DTV industry today. In the following three sections, focus will be upon three important components (including transmission networks, contents and audiences) of China’s DTV that have strongly influenced the process of DTV’s promotion, generalisation and development. As well, I explore the problems that plague them as well as examine the primary factors that contribute to these problems.

#### **6.4.2.2 DTV Transmission Networks in China**

Generally speaking, like analog television, digital television also has three fundamental transmission platforms: terrestrial, cable and satellite (or DBS) networks. In line with the analysis of the ‘overview of development and the actual situation of digital television in

China' in section 4.2.2.3, Chapter Four, as regards the development of DTV in China, emphasis is solely on DCT. This has resulted in DTT and DBS lagging far behind DCT, i.e. still at the starting stage. Under these circumstances, on the one hand the various forces concentrate on – and resources are ploughed into – the DCT industry. Thus the development of DCT in China is subject to excessive pressure. Many of the latent problems that 'dog' the process of DCT development are exposed such as lack of capital and resistance from local governments (mainly prefecture/city or county governments). On the other hand, because DTT and DBS are not given enough attention, their progress is more than somewhat tardy. The development of DTT and DBS has been neglected for a long time. Consequently, the imbalance that signals the development of DTT, DCT and DBS has become quite an urgent problem for China's DTV transmission networks, one that needs to be solved<sup>288</sup> without delay. In the following section, China's DTT, DCT and DBS transmission networks will in turn be discussed.

*(1) The Digital Terrestrial Television (DTT) Transmission Network in China*

To date, comprehensive construction of the DTT transmission network has yet to commence in China. There are two chief reasons for the delay: (a) At present China's terrestrial television audiences are mainly concentrated in the rural and remote mountainous areas which cable television does not cover. Audiences in these areas are among the country's lowest income recipients. They are certainly not considered the preferred target of DTV development in China; (b) Formal approval for China's home-made DTT standard came too late. On 18 August 2006, DMB-TH was approved as the unified DTT standard in China; it was

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<sup>288</sup> For further information regarding the development of DTV transmission networks in China see Chapter Seven (7.2.).

mandatorily implemented on 1 August 2007 in place of the previous European DVB-T standard<sup>289</sup>. This meant that due to technological factors, construction of the DTT transmission network in China could not be effectively started before China's home-made DTT standard was formally approved<sup>290</sup>.

Under these circumstances, in 2002 a component of DTT – digital mobile television (DMT) including mobile phone television, vehicle television and buildings television, was promoted, and DMT transmission systems established in some of China's foremost cities (e.g. Shanghai, Beijing, Changsha and Nanjing)<sup>291</sup>. However, the promotion of DMT was limited to certain big cities only. DMT income still depends upon commercial advertising, and this has made competition in the television advertising market even fiercer than before. How to reduce this dependence on commercial television advertising and increase the proportion of other sources of income (e.g. government subsidies, public funds and subscriptions) has become an important issue in the further development of both DMT and DTT<sup>292</sup>.

## *(2) The Digital Cable Television (DCT) Transmission Network in China*

The promotion and transmission network construction of DCT in China commenced in 2001. In order to save time, money and other resources, the SARFT's strategy for the establishment of China's DCT transmission platform was not to build a new and individual digital cable television network but to digitalise and integrate China's thousands of local (mainly

<sup>289</sup> Detail vis-a-vis digital television standards (or systems) appears in Chapter Four (4.2.2.3).

<sup>290</sup> Before the formal approval of China's home-made DTT standard, it was impossible to comprehensively establish the DTT transmission network in China. This is because China not only has to pay the expensive patent charges for the usage of European DVB-T standard but also must depend upon other countries for the core technology of DTT transmission network, which impedes the further development of DTT in China (Scholar D, personal communication, Jinan, 18 December 2006).

<sup>291</sup> Other content related to digital mobile television is in section 6.4.2.1 of this chapter and section 4.2.2.3 of Chapter Four.

<sup>292</sup> Information regarding the development of DTT in China is provided in Chapter Seven (7.2).

prefecture/city or county) original analog cable television systems, thereby constructing nationwide or region-wide DCT transmission networks<sup>293</sup>. This strategy of the SARFT had two chief purposes. One was to meet the objective requirements of the development of China's DCT industry<sup>294</sup>. The other was to afford certain officials the political kudos that would ensure their future promotion, imperative to the demands of an 'official oriented' culture<sup>295</sup>. But the process of digitalising and integrating China's (original) thousands of local analog cable television systems and constructing the nationwide or large region-wide DCT transmission networks in China was in reality not as smooth as its promoter – the SARFT – had hitherto expected. This process faced two serious impediments: lack of capital and resistance from local governments (mainly prefecture/city or county governments).

It would be impossible to accomplish the digitalisation of China's analog systems without the injection of large quantities of money. Furthermore, as suggested in section 6.3.2.4 of this chapter, the analog systems were originally invested in, established, and later maintained by the prefecture/city or county television broadcasting institutions and/or bureaus of radio and television (BRTs), which implies that they are, in fact, owned and controlled by thousands of

<sup>293</sup> The concept 'region-wide' in this thesis denotes certain of China's large geographical regions that contain various provinces, autonomous regions or municipalities within the same geographical domain. For example, China's large southwest region includes five provinces, autonomous regions or municipalities, i.e. Yunnan, Guizhou, Sichuan, Chongqing and Tibet. This concept will be quoted for the recommendation regarding the in-depth marketisation of the market chain of China's television industry in Chapter Seven (7.2). In this section, a large region-wide DCT transmission network means the DCT transmission network that may cover various provinces, autonomous regions or municipalities within a same geographical region of China.

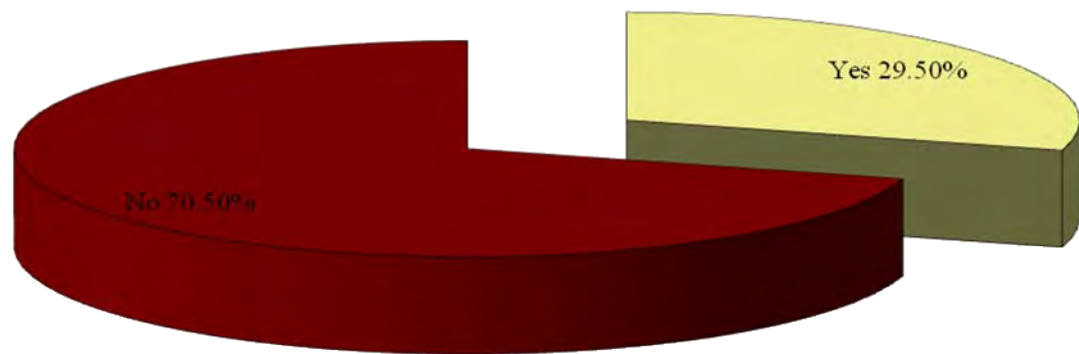
<sup>294</sup> The digitalisation and integration of thousands of local analog cable television systems and the construction of the nationwide or large region-wide DCT transmission networks can be viewed as an objective requirement of the development of the DCT industry in China. This is because a nationwide or large region-wide DCT transmission network may bring DCT operators more users, which actually achieves the benefits of economies of scale in the DCT industry. According to the principle of economies of scale (see section 2.3.1 of Chapter Two), the marginal costs of digital television productions or services (i.e. cost of supplying a digital television product or service to one extra consumer) are virtually lower than their average costs, even sometimes zero. Thus, while China's thousands of local analog cable television systems are digitalised and integrated in the nationwide or large region-wide DCT transmission networks, the average cost of digital television productions or services (i.e. the total costs involved in providing the product or service, divided by its audience – the total number of users who watch, read, listen to or otherwise consume it) declines with the increase in the number of DCT users. In this way, the construction of the nationwide or large region-wide DCT transmission network through digitalising and integrating China's thousands of local analog cable television systems will benefit the development of DCT industry in China (Scholar H, personal communication, Beijing, 10 January 2007).

<sup>295</sup> 'Official oriented' is discussed in sections 6.1.2.2 and 6.4.2.1 of this chapter.

Chinese local governments at prefecture/city or county levels. Therefore, if the SARFT plans to integrate these local networks into the nationwide or large region-wide DCT transmission networks, as well as to operate the networks by the SARFT itself, the BRTs should be paid a specific amount of money as compensation. However, the SARFT has not budgeted for compensation for them. In fact, the SARFT itself is not well financed. It simply attempted to achieve the integration of local analog cable television systems via documentation alone (i.e. administrative orders). For these reasons, the SARFT meets resistance from prefecture/city and/or county governments: its 'dream' cannot be fulfilled.

According to statistics produced by *China Digital TV Report (One)* (Huang, Wang and Luo, 2004a) and shown in Figure 6.6, 70.5 per cent of local (mainly prefecture/city and county, and a few provincial) BRTs have explicitly stated that they lack the funds to digitalise their original analog cable television systems and to provide DCT programmes and services. Only 29.5 per cent of local BRTs have declared that they have no financial difficulties when it comes to digitalisation of their original analog cable television systems and the supply of DCT programmes and services.

**FIGURE 6.6 Investigation regarding whether China's local television broadcasting institutions or BRTs have sufficient funds for digitalising their original analog cable television systems and providing DCT programmes and services**



Source: statistics produced by *China Digital TV Report (One)* (Huang, Wang and Luo, 2004a)

The above discussion clearly shows that the SARFT has experienced lack of capital and resistance from local governments during the process of the digitalisation and integration of China's local analog cable television systems. In the face of these problems, the SARFT should focus upon enhancing investment in the digitalisation and integration of China's local television systems through various means such as opening up the capital market to China's other industries, to private capital and even to foreign capital. As already mentioned in Chapter Four (4.1) and sections 6.2 and 6.3 of this chapter, China has strictly forbidden 'other' capital's entry into the capital market of the television industry: Chinese private capital is allowed – and then only conditionally – to participate partially in China's television industry. Under these circumstances, problems of lack of capital and resistance from local governments that slow the process of constructing China's nationwide/region-wide DCT transmission networks cannot be solved effectively<sup>296</sup>.

<sup>296</sup> The relevant recommendations regarding the digitalisation and integration of China's original thousands of local (mainly prefecture/city or county) analog cable television systems, as well as the construction of the nationwide or large region-wide DCT transmission networks in China are presented in Chapter Seven (7.2).



### *(3) Direct Broadcast Satellite (DBS) Transmission Network in China*

The development of DBS and the establishment of a DBS transmission network has stagnated due to the restrictions of government policy and the slow development of DBS teleology and standards. This has led to the emergence of rampant illegal DBS operators/retailers in some of China's big cities. The importance of broad development of DBS, is now recognised by the Chinese government; to this end a promotion strategy has been put in place. Although the launch of China's first home-made communications and broadcast satellite failed, the plan to develop DBS has not wavered. DBS must be considered one of the most important components of China's DTV industry in the future<sup>297</sup>.

To summarise, the above discussion, makes clear that balanced development of DTT, DCT and DBS is the key to the successful maintenance of China's DTV industry in the future. Only in this way can the problems currently impacting on the DTT, DCT and DBS industries be solved. However it will not be easy to maintain balanced development of DTT, DCT and DBS. A scientific strategy based on China's special national circumstances is crucial. In section 7.2 of Chapter Seven, recommendations vis-a-vis the development of DTV transmission networks in China will be presented. The next section moves to a discussion of the content of China's DTV.

#### **6.4.2.3 The Content of China's DTV**

Compared with the traditional analog television, DTV not only provides digitalised services and television programmes with higher definition pictures and excellent quality of sound but,

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<sup>297</sup> For more content regarding the development and actual situation of China's DBS see section 4.2.2.3 of Chapter Four; for further discussion concerning the DBS transmission network in China see section 6.3.2.4 of this chapter. Recommendations for the future promotion and development of DBS in China appear in Chapter Seven (7.2).

more importantly, DTV may greatly increase the number of television channels (or spectrums), essentially alleviating the current paucity of television channels (or spectrums). This is one of the primary reasons why many countries are actively developing their own DTV industries today. For example, in China, original analog cable television users were able to receive approximately 60 channels. However, after the analog cable television system was digitalised, users could receive in excess of 120 digital television channels, which is double the earlier number. Moreover, the goal of the development of China's DBS is to supply in excess of 200 television channels. Some scholars and media practitioners predict that future DTV audiences may be able to view 300 to 500 channels concomitant with the improvement of digital technology.

However, as China's DTV rapidly expands the capacity of its channels (or spectrums), at the same time problems of lack of DTV programme production capability persist. The reality is that in analog television time, some cable television channels often air the same (or similar) programmes/series in the same timeslot, reflecting a lack of programme production capability due to deficiencies of money, professionals, and innovation in China's television industry. In the present digital era, the number of cable television channels has increased from 60 to 120. But the quality of (DTV) programme production shows no evident improvement. Under such circumstances, the problems attributable to lack of programme production capability that already exist will certainly become exacerbated. According to statistics produced by *China Digital TV Report (One)* (Huang, Wang and Luo, 2004a), 92.3 per cent of China's broadcasting institutions consider that there is a serious shortage of DTV programmes in China, a shortage that impedes the development of China's DTV industry.

Two primary reasons have worked to retard DTV programme production capability in China: the first is the present organisational structure and horizontal administrative arrangement of the country's television industry, which is directly responsible for the lack of programme production capability involving money, professionals and innovation of China's analog and digital television industries<sup>298</sup>. The second has arisen out of the restrictions of *Decree No.42 of the State Council of the People's Republic of China – Administration Regulations of Introducing and Broadcasting Foreign Television Programmes*, implemented on 23 October 2004. These *Regulations*, to a great extent restrict and control the activities of China's television broadcasting institutions, e.g. the introducing (or purchasing) and airing of foreign television programmes. Such restrictions further aggravate the paucity of television programmes in China's DTV industry. Ways of enhancing the capability of China's (both analog and digital) programme production are discussed in Chapter Seven (7.2). In the next section, I examine the characteristics of Chinese television audiences.

#### **6.4.2.4 The Characteristics of Chinese Television Viewing Audiences**

As the ultimate consumers of DTV (productions and services), audiences and their characteristics to a great extent affect the development of DTV in a given country. The number of DTV audiences is always viewed as the key to the evaluation of the success of a country's DTV development. For example, in 2005, the number of China's DCT users reached 3.97 million (of which 1.26 million were pay-TV users) (State Administration of Radio, Film and Television, 2006). However, China's DCT development fell short of the SARFT's original

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<sup>298</sup> For relevant discussion, see section 6.2.2.1 of this chapter.

goal set in 2003, i.e. that the number of China's DCT users would reach 30 million by the end of 2005<sup>299</sup>. I will now proceed to re-examine the development of China's DTV (especially DCT) from the perspective of the influence of Chinese television audiences' characteristics, i.e. their consumption ability, demands and viewing habits.

### *(1) Consumption Ability of Chinese Television Audiences*

In 2007, China's GDP per capita reached USD 2,460, approximately 5.37 per cent of the U.S. GDP per capita (International Monetary Fund, 2008). This clearly indicates that the average income of Chinese people lags behind that of people in developed countries. Moreover, the limited income of most of China's rural citizens is spent on food, accommodation, clothing, medical treatment, travelling costs and education. Only a very small part is spent on television consumption. Zhang (2007) states that the total expenditure of Chinese urban and rural residents on culture, entertainment and media productions (mainly television, radio, newspapers and magazines) and services in 2005 was approximately 548.75 Chinese yuan (USD 73) and 147.75 Chinese yuan (USD 19.65) respectively. These figures clearly indicate how little money most Chinese people spend on television productions and services, and why Chinese television audiences do not want to pay hundreds of Chinese yuan for STB charges and annual DTV subscriptions. The poor consumption pattern of China's television audiences has seriously impeded the development of China's DTV industry.

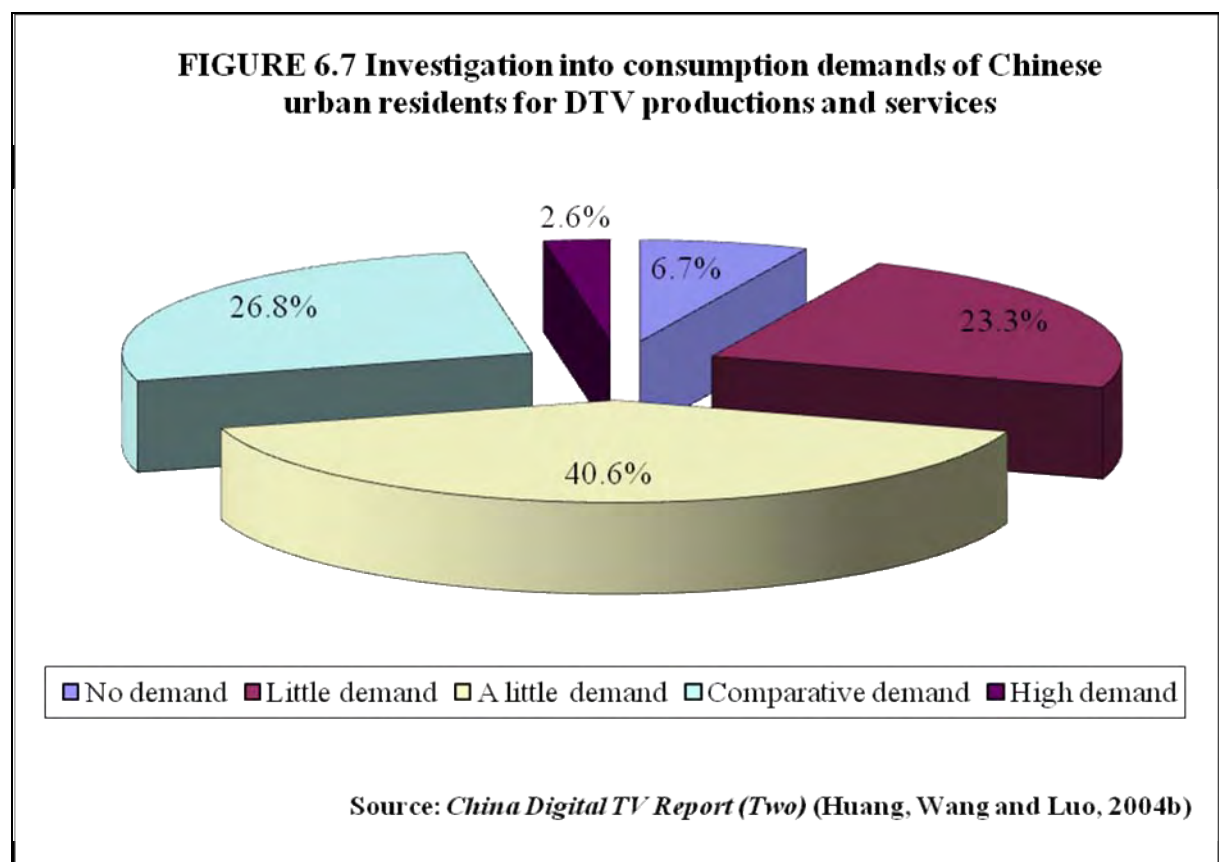
### *(2) Consumption Demand of Chinese Television Audiences*

As regards DTV, Chinese people living in the country's diverse regions have equally diverse

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<sup>299</sup> Detail regarding the actual situation of China's DTV today appears in section 4.2.2.3 of Chapter Four.

consumption demands due to their particular living standards and levels of education. By contrast, the minority Chinese urban residents exhibit higher consumption demands for DTV productions and services than the majority Chinese rural residents due to their better living conditions and higher levels of education<sup>300</sup>. According to the statistics produced by *China Digital TV Report (Two)* (Huang, Wang and Luo, 2004b), shown in Figure 6.7, urban Chinese, who have little or no consumption demands for DTV productions and services, total 6.7 per cent and 23.3 per cent respectively. Chinese urban residents, who show some consumption demand for DTV productions and services total 40.6 per cent. Urban residents exhibiting comparatively high consumption demands for DTV productions and services number 26.8 per cent and 2.6 per cent respectively.



<sup>300</sup> For further content related to the diversity of living standards, education levels and television viewing demands of the Chinese people in the country's different regions, see section 6.1.2.1 of this chapter.

Figure 6.7 reveals that most of China's urban residents show a little/little or no demand for DTV: only a small number of Chinese urban residents show comparatively high consumption demands for DTV productions and services. It can thus be stated that the consumption demands for DTV productions and services in China's rural areas, which have larger populations, are relatively low. Under conditions of such weak consumption demands, how rapidly can China's DTV progress? The poor consumption demands of Chinese television audiences in the main have become an increasingly major obstacle vis-a-vis the process of DTV development in China.

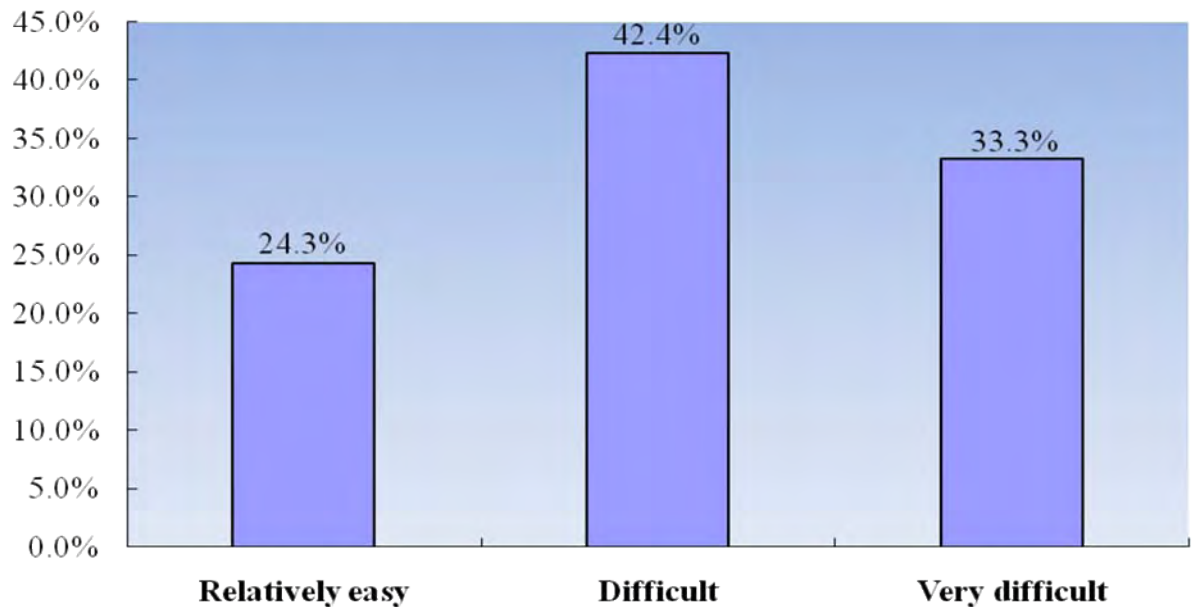
### *(3) Consumption habits of Chinese television audiences*

Issues concerning the consumption habits of Chinese audiences were discussed by various scholars, officials and media practitioners in the focus groups conducted in China. Most participants agreed that to date the majority of Chinese television audiences basically has a 'no paying' approach to watching television. In other words, everyday Chinese people have become accustomed to either watching free television or paying a minimal fee<sup>301</sup>. The statistics produced by *China Digital TV Report (One)* (Huang, Wang and Luo, 2004a) and *China Digital TV Report (Two)* (Huang, Wang and Luo, 2004b) support the consensus, as shown in Figures 6.8 and 6.9.

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<sup>301</sup> For example, as I state in section 4.2.2.1 Chapter Four, each Chinese ACT user pays on average 10.68 Chinese yuan (approx. USD 1.42) per month. This charge is considered as cable television network rent or a maintenance fee rather than a subscription.

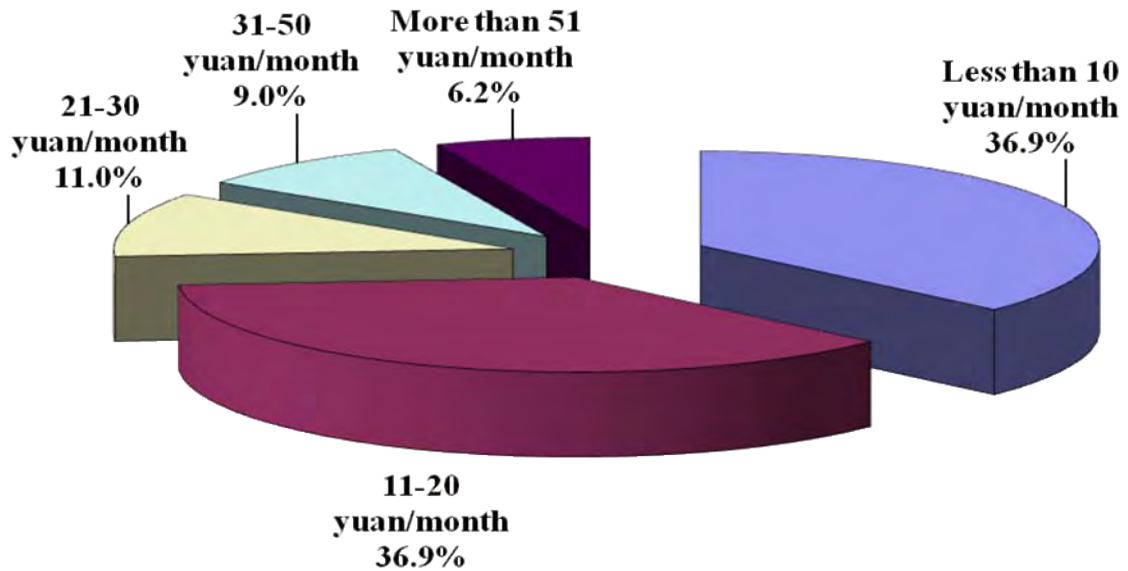
**FIGURE 6.8 Estimate of the difficulty encountered by China's television broadcasting institutions in persuading audiences to pay to watch television**



Source: *China Digital TV Report (One)* (Huang, Wang and Luo, 2004a)

Figure 6.8 clearly indicates that 33.3 per cent of China's television broadcasting institutions find it is *very difficult* to persuade audiences to pay to watch television (42.4 per cent find it *difficult*). The proportion of China's television broadcasting institutions that found it *relatively easy* to persuade audiences to accept charges for watching television was only 24.3 per cent.

**FIGURE 6.9 Investigation regarding the amount that Chinese potential urban DTV users will pay for DTV subscription**



Source: *China Digital TV Report (Two)* (Huang, Wang and Luo, 2004b)

As Figure 6.9 shows, the numbers of potential Chinese urban DTV users who are prepared to pay less than 10 Chinese yuan (approx. USD 1.33) per month and those who will pay between 11 and 20 Chinese yuan (approx. USD 1.46 – 2.66) per month as a DTV subscription are equal, i.e. 36.9 per cent. The numbers of potential Chinese urban DTV users who are prepared to pay between 21 and 30 Chinese yuan (approx. USD 2.79 – 3.99) and who will pay between 31 and 50 Chinese yuan (approx. USD 4.12 – 6.65) per month total 11.0 per cent and 9.0 per cent respectively. Only 6.2 per cent of potential Chinese urban DTV users agreed to pay more than 51 Chinese yuan (approx. USD 6.78) per month.

The above figures confirm that at present, most of China's television audiences opt not to pay to watch television. Among potential Chinese urban DTV users, nearly three quarters of them



prefer to pay less than 20 Chinese yuan (approx. USD 2.66) for DTV subscription. Thus the habits of Chinese television audiences represent a serious impediment vis-a-vis the development of DTV (particularly pay-DTV) in China.

Based on the above discussion of the primary factors that influence (a) the development of DTV in China; (b) the DTV transmission networks in China; and (c) the content of China's DTV; and the characteristics of Chinese television audiences, I have explored the problems that inhibit the process of DTV development in China and the primary factors that contribute to these problems. In line with the improvement of digital technology, digital television must be the future direction and trend of television development in the world. In the case of China's television industry, the development of digital television should not only be viewed as a technological innovation but should also be regarded as an alternative approach to – or pattern of – television industrialisation reform in China. Detailed recommendations related to DTV development in China are provided in Chapter Seven (7.2).

## **Summary**

Based upon the data gathered in China from twenty-two in-depth interviews and three focus groups (involving twenty-six participants) and a small amount of secondary data, in this chapter I have answered research questions Three, Four, Five and Six by determining the problems that persist in both the systems and policies, the vertical organisational structure and horizontal administrative arrangement and the market chain of China's television industry, problems that retard the progress of digital television development in China. As well I have examined the primary factors that contribute to all of these problems. Despite the fact that the

problems that plague China's television industry are varied in nature, a mutual (also essential) factor underpins most of these problems; that is, China's fundamental political system, the 'One-party Dictatorship Socialist System' (ODSS). As this political system will not undergo any essential change, at least not in the immediate future, reformation of China's television industry must bow to the principles of ODSS and proceed within its framework. However, evidence indicates that having come up against increasing marketisation and the internationalisation of the Chinese economy, China's political environment has had to implement subtle change. The Chinese government's attitude and behaviour towards the regulations that control not only the television industry but the development of the television industry as well are gradually becoming more flexible. This will undoubtedly provide China's television industry with an opportunity to further industrialisation reform. In the next chapter (Chapter Seven), I present recommendations regarding the future development of the television industry in China based upon my analyses of governmental moves and audience demands.