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## Chapter Seven

### *Conclusions and Recommendations*

#### **7.0 Introduction**

The final chapter of this thesis aims to present the conclusions of this PhD study as well as offer valuable recommendations for further industrialisation reform and development of China's television industry. Chapter seven consists of two main sections. In the first, the comprehensive conclusions of this thesis are addressed. In the second, a review of Chapters One to Six is undertaken and solutions proposed.

#### **7.1 Conclusions**

This research, which represents a wide study covering the development of the television industry in China, concentrates in particular on China's television industrialisation reform. Over the past five decades, China's television industry has gone through various almost momentous periods which have seen a marked change in China's political and economic spheres, indeed in Chinese society overall. Over the last thirty years, since the reform and opening up of China in 1978, transformation of the original television systems, structure and industrial market chain has been attempted concomitant with the gradual relaxation of restrictions applicable to China's television industry. Within these circumstances, the Chinese government, along with numerous policy makers, legislators, media practitioners and scholars, has explored long-term, feasible and sustainable approaches to the further development of the industry.

The primary aim of this thesis, given that the author is a PhD candidate in communication, notably in China's media field, is to propose a television development pathway imbued with Chinese characteristics, drawing on Chinese as well as Western theories. For achieving this research purpose, the following three core research concerns of the study were identified and addressed: (1) to analyse the development course and actual situation of the television industry in China, (2) to ascertain the problems extant in the process of television development in China, and (3) to discuss the factors or reasons that underpin the problems that persist in the process of television development in China. Based on these core research concerns, six corresponding research questions have been raised and answered in Chapters One to Six of this thesis. The six questions are as follows: (1) What has been the development course of the television industry in China? (2) What is the actual state of the television industry in China today? (3) What are the problems extant in the system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry? (4) What are the reasons that underpin the above problems? (5) What are the problems associated with the process of digital television development in China? and (6) what are the reasons that underpin the problems that persist in this process?<sup>302</sup>

This thesis has comprehensively answered the above six research questions. The research findings can be summarised in the following four parts. (1) The first addresses the problems extant in the system and policy of China's television industry and the reasons that underpin

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<sup>302</sup> For detailed content relating to the six research questions, see Chapter Three (3.1).

these problems. ‘One Ownership – Three Operation Patterns’ (OOTOP) (一元体制, 三元运作) is the biggest problem in the system of China’s television industry today. Most of the problems that plague the policy aspect of China’s television industry revolving around television policy making, content and implementation (such as ‘official oriented’ (官本位)), the political dimension of television policy’s regulation and the economic dimension of deregulation, excessive unscientific and impractical content of television policy, ‘rule of man’ (人治), and a system that is ‘totally bureaucracy-led’. China’s fundamental political system, a ‘One-party Dictatorship Socialist System’ (ODSS) (一党执政的社会主义制度), is the most dominant factor that determines China’s fundamental television system of OOTOP. The ODSS system, together with the traditions and culture of Chinese officialdom as well as the present setup of governmental administrative bodies, forms the basis of the problems that persistently revolve around television policy-making, content and implementation.

(2) The problems extant in the vertical organisational structure and horizontal administrative arrangement of China’s television industry – and the reasons that underpin these problems – comprise the second part of the research findings. The ‘dual leadership’ (双重领导) system, i.e. the vertical supervision and horizontal administration of China’s television broadcasting institutions, is the chief problem in the vertical organisational structure and horizontal administrative arrangement of the industry. This system has been responsible for the repetitious building of television broadcasting institutions, the crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels<sup>303</sup>, and restrictions on cross-region, cross-administrative rank and

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<sup>303</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

cross-industry operations and/or integration of television stations. And just as China's fundamental political system (ODSS) is the root cause of most of the problems that impede the process of television development in China, it also determines the specific vertical organisational structure and horizontal administrative arrangement of China's television industry. The two components of this particular structural arrangement, taken together, constitute the manifestation of two parts and/or 'dual leadership'.

(3) The third part of the research findings includes exploration of the market chain of China's television industry and the reasons that underpin the associated problems. Due to the fact that China's television industry does not have the due elaborate division and high degree of specialisation to match its vast size, the Chinese television market chain and its six markets (capital, production, trading, broadcasting, consumption and investigating markets) continue to be incomplete and immature. This is seen as the main problem extant in the market chain of China's television industry, which also forms the basis of the distinct problems that impact on each market of this market chain. The essential factor that contributes to the above main problem can be found in China's special national conditions, particularly in China's fundamental political system, the ODSS. The all-dominant ODSS and its effects combine to 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).

(4) The problems associated with the process of digital television (DTV) development in China, and the reasons that exacerbate the problems that persist in this process, constitute the fourth part of the research findings: (a) due to the mutual influences of the internal factor of China's television industry, the external factor of China's television industry inside China and the external factor of China's television industry outside China, the Chinese government has expedited the development of DTV in China while simultaneously neglecting one extremely important factor, i.e. the actual situation of China, particularly China's television industry. This negligence on the part of the government has served only to intensify the various problems that plague many areas of China's DTV industry today; (b) the imbalance in the development of China's DTV transmission networks consisting of digital terrestrial television (DTT), digital cable television (DCT) and direct broadcast satellite (DBS) caused by the Chinese government's faulty DTV development strategy; (c) the serious shortage of high quality DTV programmes due to a lack of programme production capability (including shortages of money and a paucity of true professionals and innovations); and (d) the limited consumption ability and the demands of Chinese television audiences, and their 'no paying' approach to accessing television, indicative of the specific characteristics of Chinese television viewing audiences.

This research has provided a significant insight into China's television reform and its addition to the field of communication and development in the form of the Chinese experience. Nevertheless, while Chapters Four, Five and Six focus on the development and actual situation of the television industry in China, analyse commercial television in the U.S. and public television in the U.K. and discuss the problems that persist in China's television

industry as well seek to establish what underpin these problems, they offer neither recommendations nor solutions. Therefore, recommendations for the furthering of television industrialisation reform and future television development in China (also solutions vis-a-vis the problems raised in Chapter Six), based upon the content of the previous six chapters, i.e. theories review, analysis of research methods and research design, answers to all six research questions and their corresponding Chapters (Four, Five and Six) gained by the application of the three fundamental research methods need to be provided. And while the recommendations or solutions presented in the next section are basically the author's own propositions, they may contribute to the development of China's television industry in the future, notably the furthering of television industrialisation reform.

## **7.2. Recommendations**

The reasons behind the problems that persist in the various areas of China's television industry are to say the least complicated; these problems cannot be attributed to any sole reason but to multiple factors. Consequently, the recommendations in this section should represent a comprehensive reform project and development strategy of China's television industry in conformity with the national conditions of China. As I suggest in Chapter Six (6.1), China's fundamental political system, a 'one-party dictatorship socialist system (ODSS), guarantees the CPC's ruling status in China. It can be predicted that ODSS will not see any essential change, at least not foreseeable future. Under these circumstances, the reform and development of China's television industry must proceed within the existing ODSS. Thus, the recommendations that follow can be considered as 'the proposed reform strategies and the development prospects of China's television industry: the furthering of television

industrialisation reform' within the framework of China's ODSS political system.

Furthering television industrialisation reform in China involves three steps: first is furthering the marketisation of both system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry; second is conglomeration reform of the television industry in China; and third the internationalisation of China's television industry<sup>304</sup>. These three steps will be examined in this section. In order to solve the problems that impede the process of digital television development in China, this section also provides recommendations for the future development of China's digital television industry.

### **7.2.1 Furthering the Marketisation of China's Television Industry**

As stated in Chapter Four, marketisation of China's television industry commenced in 1979. During a thirty year period of reform, marketisation of the television industry in China has experienced remarkable improvement in system and policy, organisational structure, and administrative arrangement of the market chain. However, the problems that beset the various aspects of China's television industry, discussed in Chapter Six, clearly indicate that thirty years of marketisation reform of China's television industry have yet to meet the 21<sup>st</sup> century expectations. The present degree of marketisation fails to meet the requirements of China's television industrialisation reform, i.e. transforming of China's television from

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<sup>304</sup> In general, the three steps have a pre and post order; that is, the former is the basis of the latter. For example, the second step 'conglomeration' and the third step 'internationalisation' of China's television industry should commence after the completion of the first step 'furthering of television marketisation reform' in China, when certain necessary conditions have been met. However, this principle is not absolute. In fact, the latter steps may start if the essential conditions have been supplied (certain key policies have been issued or the market has become mature) even if the former steps are not fully completed. In this way, these three steps may overlap proceedings to some extent although their commencement may be not simultaneous.

ideology/ideological television into industrial television, and from an industry led by political interest groups, states or governments (or other forms of administration) to one driven by markets, with operations based on the requirements of industrialisation (see section 2.3.4 of Chapter Two). Consequently, the first step in furthering television industrialisation reform in China is to further the degree of marketisation of China's television industry, which includes industrialisation reform and later the 'conglomeration' and 'internationalisation' of China's television industry.

Furthering the marketisation of China's television industry is a comprehensive and overall reform strategy, which involves three aspects: system and policy, vertical organisational structure and horizontal administrative arrangement, and market chain. In the section that follows, I will address these three aspects in detail.

#### **7.2.1.1 Furthering the Marketisation of System and Policy in China's Television Industry**

In this section, initial focus is on marketisation. 'One Ownership – Three Operation Patterns' (OOTOP)<sup>305</sup> is the biggest problem in the system of China's television industry today. It underpins the numerous problems that plague the television industry (see Chapter Six). The ultimate purpose of furthering the marketisation of China's television system is to abolish the present OOTOP system, by extension eliminating at least minimally the negative influences associated with this system.

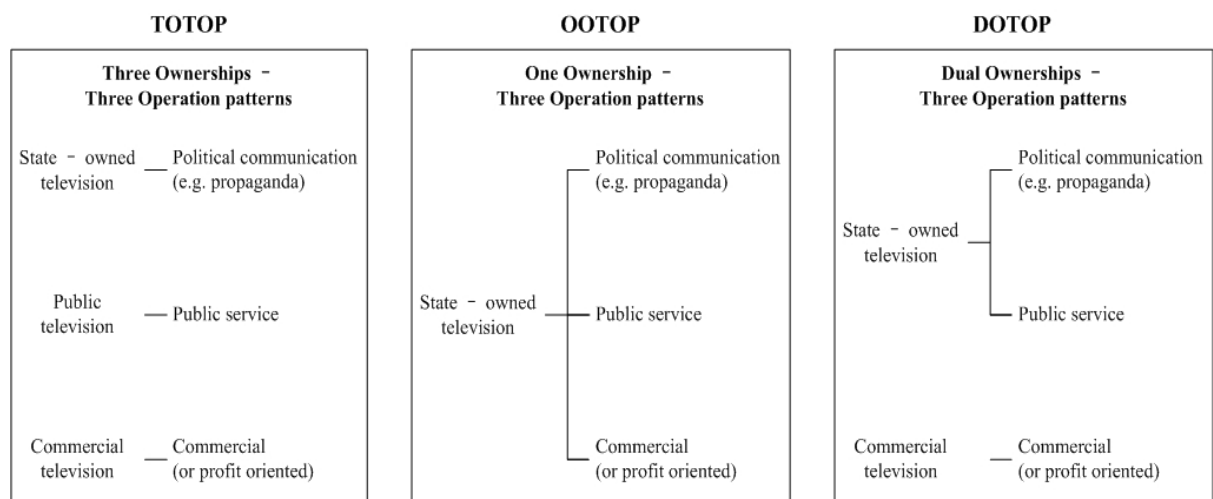
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<sup>305</sup> Content relative to the 'One Ownership – Three Operation Patterns' (OOTOP) appears in section 6.1 of Chapter Six.



In theory, the ‘Three Ownerships – Three Operation Patterns’ (TOTOP)<sup>306</sup> system adopted by many western nations can be viewed as a relatively ideal television system, which should ostensibly be the goal of the marketisation reform of China’s television system. However, due to the particular national conditions of China, e.g. the ‘One-party Dictatorship Socialist System’ (ODSS)<sup>307</sup>, it is not viable to indiscriminately duplicate the western countries’ TOTOP system in China’s television system. Notwithstanding, the TOTOP system has advantages that may be used as valuable reference material or be developed to support marketisation reform. According to the Chinese political, economic and social reality, and considering the strengths of the TOTOP system, China’s present OOTOP system should be replaced by the ‘Dual Ownerships – Three Operation Patterns’ (DOTOP) system. Figure 7.1 shows and compares the distinctions between western television’s TOTOP system, the present OOTOP system of China’s television, and the proposed DOTOP system.

**FIGURE 7.1 The TOTOP, OOTOP and DOTOP systems: A comparison**



<sup>306</sup> ‘Three Ownerships – Three Operation Patterns’ (TOTOP) is detailed in Chapter Six (6.1).

<sup>307</sup> Detail vis-a-vis the ‘One-party Dictatorship Socialist System’ (ODSS) appears in section 6.1 of Chapter Six.

The TOTOP and OOTOP systems have been analysed in detail in Chapter Six. Focus here is concentrated solely upon explaining the proposed DOTOP system. What is the DOTOP system? The thesis proposes that the ‘Dual Ownerships – Three Operation Patterns’ (DOTOP) should replace the present OOTOP system used in China. ‘Dual Ownerships’ denotes the two ownerships of China’s television broadcasting institutions: state and commercial. ‘Three Operation Patterns’ indicates that the three operational patterns of China’s television broadcasting institutions are comprised of political communication in the form of propaganda, public service, and commercial (or profit-oriented). The essential purpose of the DOTOP system is to change the statuses of all of China’s television broadcasting institutions from stated-owned to both state-owned and commercial television broadcasting institutions.

As Figure 7.1 shows, state-owned television in China is politics oriented (e.g. political or ideological communication). Supervised by the Communist Party, it fulfils the function of public service (e.g. social education and imparting culture), that is, to serve the masses. Although the number of state-owned television broadcasting institutions will decrease significantly under the future DOTOP system (compared with the present OOTOP system), sufficient coverage by state-owned television broadcasting will ensure continued focus on politics, i.e. ensure the perpetuation of the Party’s and government’s<sup>308</sup> capabilities through political (or ideological) communication (e.g. propaganda). As well, it will guarantee successful diffusion of the CPC’s ‘voice’. To date, in China there is no significant public service broadcaster (PSB) such as the BBC or NHK (see section 6.1 of Chapter Six). Therefore, under the future DOTOP system, the functions of public service will have to be

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<sup>308</sup> In this chapter, the term ‘Party’ implies the Communist Party of China (CPC). The term ‘government’ means the Chinese government in general (if I do not indicate otherwise).

fulfilled by state-owned television broadcasting institutions. All of the above stresses the necessity of converting the present state-owned television to the DOTOP system.

Capital and profit maximisation is the fundamental aim of commercial television because investment is chiefly private or in the form of foreign capital. State-owned capital or enterprises such as China Mobile Communications Corporation (CMCC) may prove to be (albeit not the primary) owners of the commercial television broadcasting institutions or firms<sup>309</sup>. Under the future DOTOP system, the behaviour modalities and activities of the commercial television enterprises will in the main be driven by market rather than by political forces. In light of the strong attraction of China's huge television market, as well as the drive to seek profit maximisation, the number of commercial television enterprises must exceed the number of state-owned television broadcasting institutions. However, the importance of being seen to act in the national interest, to emphasise national security and the stability of the ruling CPC, combined with doubts about private and foreign capital, could propel the government towards regulating, overseeing and restricting the behaviours and activities of the country's commercial television enterprises by enforcing restrictive laws and regulations<sup>310</sup>. In order to survive and develop in China's current television market, it may be assumed that most commercial television enterprises will follow the 'game rules' formulated by the government rather than overstepping the CPC's base line and using their futures as bargaining chips.

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<sup>309</sup> As the secondary investor, China Mobile Communications Corporation (CMCC) holds 19.9 per cent share of Phoenix Television. The first investor in Phoenix Television is Today's Asia Limited (owned by Chang Le Liu, who is also the CEO and founder of Phoenix Television). STAR TV (wholly-owned by News Corporation) is the third investor in Phoenix Television (Scholar D, personal communication, Jinan, 18 December 2006). Thus it can be seen that the capital of Phoenix Television comprises private, foreign and Chinese state-owned. Capital composing of Phoenix Television may be regarded as a reference mode for the establishment of the DOTOP system in China's television industry, notably the founder of China's commercial television enterprises.

<sup>310</sup> The corresponding laws or regulations may occupy a wide range. For example, the proportion of foreign capital in commercial television enterprises in China is not allowed to exceed 49 per cent. The content of news and certain political or moral television programmes is limited within a vested measure and scope, with certain sensitive issues banned.

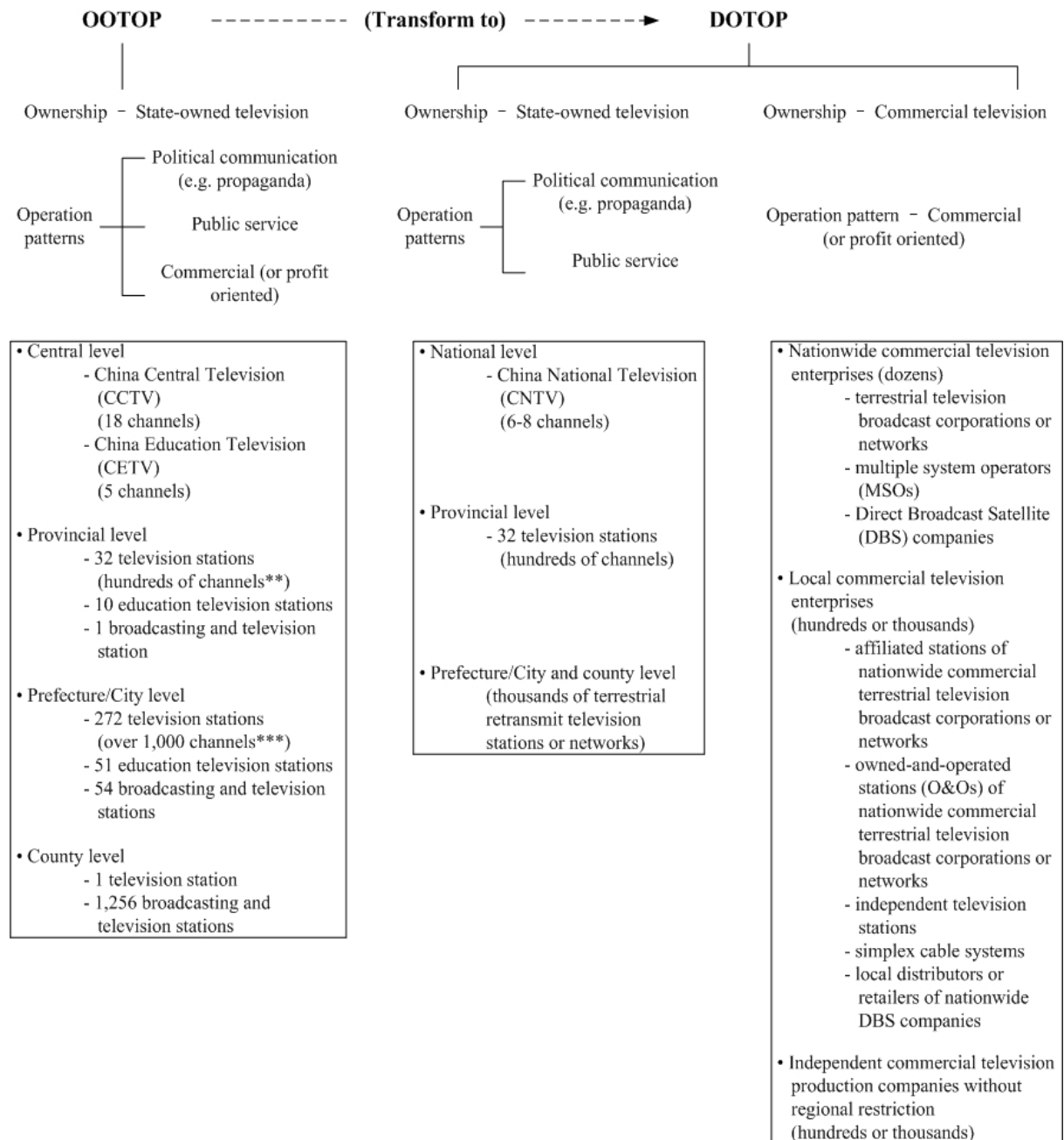
From all accounts, the greatest advantage of the DOTOP system is that it will alter the status of the sole state-owned ownership of all of China's television broadcasting institutions and render China's television industry both state-owned and commercial. On the one hand, DOTOP undoubtedly ensures the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda) and guarantees successful diffusion of the CPC's 'voice', all of which accords with China's specific national conditions (i.e. the fundamental political system – ODSS). On the other hand, the appearance of large numbers of commercial television enterprises will enhance the strength of the market during the game that will be played out between the market and political forces, and sequentially see the market play an increasingly important and decisive role in the future industrialisation reform and development of China's television industry. Ultimately, the market will be the dominant power that dictates the activities of China's commercial television enterprises.

But, how will China's television industry switch from the present OOTOP system to the proposed DOTOP system? In the following section I discuss how the DOTOP system can be implemented in China. Taking into account the actual situation of the Chinese television industry, which I analyse in Chapter Four, the present 1,688 state-owned television broadcasting institutions in the OOTOP system<sup>311</sup> will change to state-owned or commercial television (broadcasting) institutions/enterprises in the future DOTOP system (see Figure

<sup>311</sup> According to Table 4.1 presented in Chapter Four, China had 1,688 state-owned television broadcasting institutions by the end of 2004. Among these were 315 television stations (including 1 central/national level, 32 provincial level, 272 prefecture/city level, 1 county level and 9 special television stations), 62 education television stations (including 1 central/national level, 10 provincial level and 51 prefecture/city level education television stations) and 1,311 broadcasting and television stations (including 1 provincial level, 54 prefecture/city level and 1,256 county level broadcasting and television stations). As noted in Chapter Six, China Central Television (CCTV) had eighteen national (analog) television channels and China Education Television (CETV) had five national (analog) television channels by 2007. See section 4.1 of Chapter Four and section 6.2 of Chapter Six.

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**FIGURE 7.2 The sketch map of transformation from the OOTOP system to the DOTOP system\***



\* All of the television channels mentioned in this figure denote the analog channels rather than digital channels in general (if I do not indicate otherwise).

\*\*In the OOTOP system, each provincial level television station has one satellite channel and six to nine non-satellite (terrestrial or cable) channels. Therefore, there are hundreds of provincial television channels at present in China.

\*\*\*In the OOTOP system, each prefecture/city television station has five to eight terrestrial or cable channels. Thus, there are over one thousand prefecture/city television channels at present in China.

<sup>312</sup> All of the television channels mentioned in this section refer to analog channels rather than digital channels in general (if I do not indicate otherwise). The relevant recommendations for the development of digital television in China will be offered in section 7.2.4 of this chapter.

Figure 7.2 shows a sketch map of the transformation from the OOTOP system to the DOTOP system: it contains two primary parts; OOTOP and DOTOP. Focus is on DOTOP as OOTOP has already been analysed in Chapter Six (6.1). The DOTOP segment consists of state-owned television and commercial television, which will be respectively addressed in the following section.

*(1) State-owned Television in the DOTOP System*

State-owned television in the proposed DOTOP system comprises three sections: First is the sole state-owned television broadcasting institution at the national level – China National Television (CNTV)<sup>313</sup>. CNTV may inherit the comprehensive, news, social, cultural, educational and international channels of the present CCTV involving CCTV-1 Mixture, CCTV-4 International (Chinese), CCTV-9 International (English), CCTV-10 Science and Education, CCTV-12 Society and Law, CCTV-News (24 hours news), CCTV-E (Spanish) and CCTV-F (French). The total number of CNTV channels should be kept at around six to eight and transmitted through terrestrial, cable and satellite networks covering the whole country (see Table 7.1). Other CCTV channels such as CCTV-2 Economy, CCTV-3 Arts, CCTV-5 Sports, CCTV-6 Movies, CCTV-7 Military and Agriculture, CCTV-8 TV Drama and Series, CCTV-11 Opera, CCTV-Children (Children’s Channel), CCTV-Music and CCTV-HD (high-definition programming) can either be closed or transformed into commercial television, becoming the thematic channels of the nationwide (terrestrial) television broadcast

<sup>313</sup> Under the DOTOP system, only television stations at the national level will undertake the functions of political communication and public service. The name ‘China National Television (CNTV)’ can more adequately reflect the dual functions of China’s national television broadcasting institution than the name ‘China Central Television (CCTV)’ due to the latter having a stronger political and official colour.

corporations or networks, multiple system operators (MSOs) or Direct Broadcast Satellite (DBS) companies driven by market forces in the future DOTOP system<sup>314</sup>.

The second section comprises thirty-two state-owned provincial level television stations<sup>315</sup>.

Each provincial level television station may keep its present satellite channel as a comprehensive channel in the future DOTOP system. All of the thirty-two provincial comprehensive channels will transmit via cable and satellite networks covering the whole of the nation as well as via terrestrial, cable and satellite networks covering the whole of the province (see Table 7.1). Other channels of the present state-owned provincial level television stations may either be closed or switch to commercial television, becoming the thematic channels of the nationwide (terrestrial) television broadcast corporations or networks, multiple systems operators (MSOs) or Direct Broadcast Satellite (DBS) companies, driven by market forces in the future DOTOP system<sup>316</sup>. In addition, every provincial level television station can broadcast a culture and education channel and several prefecture/city channels according to their actual situations<sup>317</sup>. These channels will be transmitted through terrestrial and cable networks covering the whole of the province, as shown in Table 7.1. So, there will be hundreds of state-owned provincial television channels (involving comprehensive, culture and

<sup>314</sup> A detailed analysis of commercial television in the DOTOP system will be offered in the next section.

<sup>315</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 television station (except for Shanghai, which has two provincial level television stations). Each provincial level television station has one satellite channel covering the whole of the country. Therefore, there are thirty-two provincial level television stations (i.e. thirty-two provincial satellite television channels) in China at present (Official D, personal communication, Beijing, 17 January 2007).

<sup>316</sup> A detailed analysis of commercial television in the DOTOP system will be offered later in this section.

<sup>317</sup> In the proposed DOTOP system, a state-owned provincial television station may broadcast several prefecture/city channels in terms of the actual situations (e.g. political division, economic development level, social and cultural traditions and geopolitical consideration) in this province. For example, there are seventeen prefectural cities in Shandong province. In light of the actual situations in Shandong, Shandong Television Station (SDTV) can have six prefecture/city channels in the future DOTOP system comprising Jinan, Qingdao, Yantai, Zibo, Weifang and Jining channels. These six prefecture/city channels will screen the news, public events and social life in the six cities and their surrounding areas. Jinan Channel will focus on the news, public events and social life in Jinan city and the other four cities in close proximity to Jinan including Dezhou, Liaocheng, Tai'an and Laiwu. The four municipalities (directly under the control of the central government) of Beijing, Tianjin, Shanghai and Chongqing may have some district channels in terms of their actual situations.

education, and prefecture/city channels) in China's future DOTOP system.

**TABLE 7.1 The design of transmission and coverage of state-owned television channels under the DOTOP system**

State-owned television channels Covering range and transmission networks	National level	Provincial level	
	China National Television (CNTV)	Provincial level television stations (thirty-two)	
Nationwide coverage	All of CNTV's channels (six to eight)	A comprehensive channel of each provincial television station (total thirty-two)	N/A
Transmission networks	Terrestrial, cable and satellite	Cable and satellite	
Province-wide coverage	N/A	A comprehensive channel of each provincial television station (total thirty-two)	A culture and education channel and several prefecture/city channels of each provincial television station (total hundreds)
Transmission networks		Terrestrial, cable and satellite	Terrestrial and cable

Table 7.1 shows the design of transmission and coverage of state-owned television channels under the DOTOP system. This Table proposes that any television audience in China may receive all of CNTV's 6-8 channels and one local provincial comprehensive channel<sup>318</sup> via terrestrial, cable or satellite networks; thirty-one non-local provincial comprehensive channels<sup>319</sup> via either cable or satellite networks; a culture and education channel and several prefecture/city channels of the local provincial level television station through either terrestrial or cable networks. In this way, under the future DOTOP system, Chinese television

<sup>318</sup> Shanghai television audiences can receive two local provincial comprehensive channels because there are two provincial level television stations.

<sup>319</sup> Shanghai television audiences may receive thirty non-local provincial comprehensive channels via either cable or satellite networks.



audiences can receive approximately forty to fifty state-owned television channels (including both national and provincial level channels).

In terms of Figure 7.2, the third section of state-owned television in the proposed DOTOP system addresses the thousands of terrestrial retransmit television stations or networks distributed throughout China's prefectural cities or counties. Future terrestrial retransmit television stations or networks will switch from the prefecture/city television stations or county broadcasting and television stations of the present OOTOP system to the DOTOP system. They will no longer produce television programmes themselves but will combine to jointly compose a state-owned nationwide terrestrial television transmission network for achieving the high terrestrial signal covering rate of CNTV and provincial state-owned television stations<sup>320</sup>.

In addition to the above, four key points regarding the process of transformation from OOTOP to DOTOP need to be added: (1) The sixty-two education television stations (at the national/central, provincial and prefecture/city levels) in the present OOTOP system may be closed or changed to the aforementioned culture and education channels of CNTV or

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<sup>320</sup> At present, there are thousands of terrestrial television towers (or masts) in China, which jointly compose the nationwide terrestrial television transmission network fulfilling the 95.81 per cent terrestrial television covering rate of China's state-owned television. In the OOTOP system, most of these terrestrial television towers (or masts) belong to state-owned prefecture/city television stations or county broadcasting and television stations. In the proposed DOTOP system, these thousands of terrestrial television towers (or masts) will also be state-owned and may change to terrestrial retransmit television stations or networks at prefecture/city or county levels, thereby composing a nationwide terrestrial television transmission network for achieving the high terrestrial signal covering rate of CNTV and provincial state-owned television stations in China. In addition, to borrowing and developing the experience of U.S. television that has established that 'cable television systems must retransmit signals or channels of local (terrestrial) television stations that have a certain audience' (see section 5.1.2.2 of Chapter Five), China's cable television systems as well as DBS providers (irrespective of whether state-owned or private) in the future DOTOP system must unconditionally retransmit the nationwide coverage channels and optionally retransmit the provincial coverage channels of state-owned television stations. This aims to further ensure the coverage rate of state-owned television broadcasting and guarantee the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda) for the successful diffusion of their 'voice'. More content about the furthering of marketisation of terrestrial, cable and satellite transmission networks in China's television market chain will be provided in section 7.2.1.3 of this chapter.

state-owned provincial television stations under the future DOTOP system; (2) All of the television stations at prefecture/city level in the present OOTOP system will either be closed or transformed into terrestrial retransmit television stations or networks. In the future DOTOP system, the original comprehensive news and social or cultural channels of the current prefecture/city television stations will either be shut down or merged into the aforesaid prefecture/city channels of state-owned provincial television stations. The original thematic channels of the present prefecture/city television stations may be closed or changed to commercial television, becoming the thematic channels of the nationwide (terrestrial) television broadcast corporations or networks, multiple system operators (MSOs) or Direct Broadcast Satellite (DBS) companies driven by market forces<sup>321</sup>. The thousands of simplex cable systems owned by the present prefecture/city television stations can be privatised and digitalised; they can either merge with the nationwide MSOs or become independent television stations or simplex cable systems. In this way, under the proposed DOTOP system, the state-owned television stations will actually be established on two administrative levels – national and provincial<sup>322</sup>; (3) In the present OOTOP system, most television channels transmit using analog signal and networks. In the future DOTOP system, the number of television channels will undoubtedly rapidly increase, particularly the terrestrial channels. In order to avoid any scarcity of television channels, irrespective of whether they be terrestrial, cable or satellite, the rate of development of digital television in China must be accelerated. Detailed recommendations pursuant to the development of China's digital television will be provided in section 7.2.4 of this chapter; (4) The last key point is the sources of state-owned television station revenue in the DOTOP system. As I have suggested in previous chapters,

<sup>321</sup> A detailed analysis of commercial television in the DOTOP system will be offered in the next section.

<sup>322</sup> Further content regarding state-owned television stations established on two administrative levels is offered in section 7.2.1.2 of this chapter.

under the present OOTOP system, state-owned television broadcasting institutions' revenues mostly come from commercial advertising. However, as shown in Figure 7.1, in the proposed DOTOP system, state-owned television stations will only undertake the functions of political communication and public service; commercial operation and the quest for profit will no longer be taken into account. Under these circumstances, the income of the state-owned television stations in the DOTOP system should come mainly from non-commercial sources<sup>323</sup>. According to China's specific national conditions, the most likely primary source of state-owned television station revenue will be government allocations or subsidies<sup>324</sup>; public funding and individual or group donations may bring state-owned television stations a small amount of income. Using the revenue model of the BBC as reference, state-owned television stations' income could accrue from catalogue and programme sales, relevant audio or video production of programmes, from providing content to other broadcasters, concert, drama or ticket sales, and/or from overseas viewers' subscriptions<sup>325</sup>.

## *(2) Commercial Television in the DOTOP System*

In general, China's commercial television enterprises in the future DOTOP system can be

<sup>323</sup> There are three advantages if the sources of state-owned television station revenue are from non-commercial fields. First, this can minimise the influences of commercial interest groups on state-owned television stations, thereby ensuring relative independence and objectivity while producing television programmes. Second, some state-owned television stations will not broadcast commercial advertising. This may avoid competition intensification in the commercial television advertising market to some extent and leave more advertising profit for commercial television enterprises. Last, as I have mentioned previously, China's cable television systems as well as DBS providers (irrespective of whether state-owned or private) in the future DOTOP system must unconditionally retransmit nationwide coverage channels and optionally retransmit provincial coverage channels of state-owned television stations. Thus, if state-owned television stations do not refer to businesses in commercial areas (e.g. no broadcast of commercial advertising), there will be less resistance from commercial television enterprises (e.g. private cable television systems and DBS providers) regarding retransmitting state-owned television channels.

<sup>324</sup> Many scholars believe that television institutions or enterprises will be strongly influenced by politics if they are funded by the government allocations or subsidies. They suggest that the primary revenue of PSB should come from licence fees (see the BBC and NHK) for maintaining the independence and objectivity of PSB. However, as I have discussed in Chapter Six, it is very difficult and impractical to charge licence fees in most areas in China. Therefore, China's PSBs (i.e. state-owned television stations under the DOTOP system) may have to survive on government allocations or subsidies. In this circumstance, politics may inevitably intervene and affect the operation and business of PSB. Then again, it may be that politics will influence PSB to some extent in any country, irrespective of whether the source of income is from licence fees or other public funds, particularly in China where 'ODSS' is the basic political system.

<sup>325</sup> Detailed content concerning sources of BBC revenue appear in section 5.2.3 of Chapter Five.

transformed from the present state-owned television stations (or channels) and broadcasting and television stations into be newly established enterprises in terms of market forces and dictates. These commercial enterprises will be fundamentally private; owners or investors may be Chinese private capital, foreign capital or even certain state-owned capital (e.g. CMCC) as suggested earlier in this section. Multiple ownership may further support capital and profit maximisation of commercial television enterprises as well as simplify the process of television programmes or shows from production to broadcast<sup>326</sup>.

Under the proposed DOTOP system, the patterns of business behaviour and the operational activities of commercial television enterprises will basically be guided and driven by market forces and dictates although to some degree the influences of politics (via the relevant policies or regulations) will still pertain<sup>327</sup>. The number of commercial television enterprises may be hundreds or even thousands; this will be decided by the market, essentially by market scale and demand. As shown in Figure 7.2, commercial television in the DOTOP system includes nationwide and local commercial television enterprises as well as independent commercial

<sup>326</sup> As discussed in section 6.3.2.2 of Chapter Six, in the OOTOP system, the internal censorship of China's state-owned television broadcasting institutions (e.g. provincial television stations), towards the process of television programmes from production to broadcast usually contains four hierarchies of censorship. The first hierarchy of censorship is self-censoring by the executive editor (or executive producer) of a television programme. The second hierarchy is by 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 the second hierarchies of the internal censorship of China's television broadcasting institutions. In the future DOTOP system, the ownership of China's commercial television enterprises will be same as the present Phoenix TV. Therefore, at that time, China's commercial television programmes, from production to broadcast, will no longer be subject to four hierarchies of internal censorship but will 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.

<sup>327</sup> As mentioned earlier in this section, in the national interest, national security and the ruling stability of the CPC, as well as the government's doubts vis-a-vis private and foreign capital, it is quite possible that the government will regulate, oversee and restrict the behaviours and activities of commercial television enterprises to some extent by issuing corresponding laws or regulations. For example, the proportion of foreign capital in a commercial television enterprise in China is not allowed to exceed 49 per cent. The content of news and certain political or moral television programmes is limited to a vested measure and scope. The screening/broadcasting of certain sensitive issues are forbidden. Thus, in order to survive and develop in China's television market, most commercial television enterprises will follow the 'game rules' formulated by the government rather than overstep the CPC's deadline, thus gambling with their futures.

television production companies without regional restriction. In terms of the different transmission platforms, nationwide commercial television enterprises contain terrestrial television broadcast corporations or networks, multiple system operators (MSOs) and Direct Broadcast Satellite (DBS) companies. Generally speaking, the optimal number of nationwide commercial television enterprises in China may be in the dozens. The components of local commercial television enterprises will be diverse of form; they will mainly comprise affiliated stations and owned-and-operated stations (O&Os) of nationwide commercial terrestrial television broadcast corporations or networks, independent television stations, simplex cable systems and local distributors or retailers of nationwide DBS companies. These local commercial television enterprises may number in the hundreds or even thousands, according to market size and demand. Independent commercial television production companies without regional restriction are an important part of commercial television enterprises in the DOTOP system<sup>328</sup>. These companies chiefly sell or rent television products to nationwide or local commercial television enterprises (even to state-owned television stations on occasion<sup>329</sup>), which greatly contributes to the establishment of a ‘Perfect-SPB operation pattern’<sup>330</sup> in China’s television programme industry<sup>331</sup>. In like manner, there may be hundreds or thousands of independent commercial television production companies without regional restriction in China, according to market demand and scale.

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<sup>328</sup> The independent commercial television production companies without regional restriction under the DOTOP system are similar to syndications in the U.S. television industry, i.e. companies that have rights to produce, sell or rent television programmes to multiple television broadcast networks or independent television stations. The relevant content about syndications in the U.S. television industry appears in section 5.1 of Chapter Five.

<sup>329</sup> In the U.K., both the BBC and Independent Television (ITV) are required to “commission at least 25 per cent of their programming from independent producers” (Küng-Shankleman, 2000, p.75).

<sup>330</sup> The term ‘SPB’ – ‘separation of production and broadcast’ 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. Currently, 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. More detailed contents appear in section 6.3 of Chapter Six.

<sup>331</sup> The relevant recommendation about the establishment of ‘Perfect-SPB operation pattern’, as well as the furthering of marketisation of China’s television production and broadcasting markets, will be provided in section 7.2.1.3 of this chapter.

However, there is a key point about commercial television in the DOTOP system that needs some explanation. According to my analysis and discussion in Chapters Four and Six, to date the development of China's terrestrial television is neither mature nor complete. Currently, most Chinese urban residents prefer cable or satellite television due to the relatively better quality of picture and sound; as well, there is a wider choice of channels. In contrast, they rarely watch terrestrial television. In China's rural areas, most residents have to watch terrestrial television limited to approximately six channels due to the non-penetration of cable and satellite television into remote areas (see Chapters Four and Six). In addition, the terrestrial retransmit television stations or networks in the proposed DOTOP system will mainly transform from the prefecture/city television stations or country broadcasting and television stations of the present OOTOP system. They will jointly compose a state-owned nationwide terrestrial television transmission network for achieving the high terrestrial signal covering rate of CNTV's channels. Under these circumstances, commercial television enterprises must both break the monopolistic control of the government and invest huge sums of money if they aspire to penetrate China's terrestrial television industry. However, in the current situation, it will be extremely difficult for commercial television enterprises to do this. For this reason, China's commercial television should concentrate on cable and satellite television, notably digital cable and satellite television industries rather than on the terrestrial television industry in the future DOTOP system<sup>332</sup>.

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<sup>332</sup> The nationwide terrestrial television transmission network in the proposed DOTOP system will be state-owned, aiming to further ensure enough coverage rate of state-owned television broadcasting and thus guarantee the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda) for the successful diffusion of their 'voice'. Most Chinese terrestrial television audiences live in rural and remote mountainous areas; their living standard, viewing demands and consumption habits are much lower than those of their urban counterparts. In these circumstances, it is quite difficult for commercial television enterprises to achieve success as well as satisfy capital return on business in China's terrestrial television industry even if they have the ability to invest substantial amounts of money. These are the primary reasons why China's commercial television should concentrate on cable and satellite television, notably digital cable and

The above recommendation addresses furthering the marketisation of China's television system. The core notion of this recommendation is the DOTOP system, which is proposed in line with China's specific national conditions. In fact, as the relatively preferable television system in China, DOTOP can also be viewed as keeping the balance between safeguarding political stability and accelerating television industry development, between limiting the vested interests of certain political or economic groups and seeking more fair competition in the television market, and between maintaining the influence of state-owned television, thereby ensuring the survival and development space of commercial television as much as possible. In the following section, I move on to recommendations regarding furthering the marketisation of China's television policy, which aims as much as possible to solve the problems extant in television policy and reduce the limitations associated with the problems that inhibit television development in China.

In terms of the discussion in section 6.1.2.2 of Chapter Six, most of the problems extant in the policy aspect of China's television industry revolve around television policy making, content and implementation; this includes 'official oriented', the political dimension of television policy's regulation and the economic dimension of deregulation, much unscientific and impractical content of television policy, 'rule of man' and 'totally bureaucracy-led'. The factors engendering these problems are various; they include the traditions and culture of Chinese officialdom, the fundamental political system of China (ODSS), as well as the

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satellite television industries rather than on the terrestrial television industry in the future DOTOP system. More recommendations pertaining to the furthering of marketisation of terrestrial, cable and satellite transmission networks in China's television market chain will be provided in section 7.2.1.3 of this chapter.

present setup of governmental administrative bodies in China's television industry<sup>333</sup>. It can be predicted that Chinese officialdom traditions and culture and China's ODSS political system will not see any essential change, at least not in the near future. But this does not mean that the influence of governmental administrative agencies in China's television industry cannot be reset to some extent.

As demonstrated in Figures 6.1 and 6.2 (see Chapter Six), in China's television industry, the leading agencies are the propaganda departments of the CPC (at central, provincial, prefecture and county levels), the executive administrators of the State Administration of Radio, Film and Television (SARFT) and the Bureaus of Radio and Television (BRTs) of local governments (at the provincial, prefecture and county levels). Due to the fact that the roles and positions of the propaganda departments of the CPC may not see any essential change under China's present ODSS system, emphasis on furthering the marketisation of China's television policy (in the proposed DOTOP television system) will largely be upon adding two governmental administrative bodies – 'State-owned Broadcasting Authority (SBA)' and 'Commercial Broadcasting Authority (CBA)' – to both the SARFT and the BRTs of the provincial, prefecture/city and county governments, as shown in Figure 7.3 below.

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<sup>333</sup> Detailed content regarding the problems extant in the policy of China's television industry appears in section 6.1.2.2 of Chapter Six.



**FIGURE 7.3 The adding of two governmental administrative bodies – ‘State-owned Broadcasting Authority’ (SBA) and ‘Commercial Broadcasting Authority’ (CBA) – to the proposed DOTOP system**

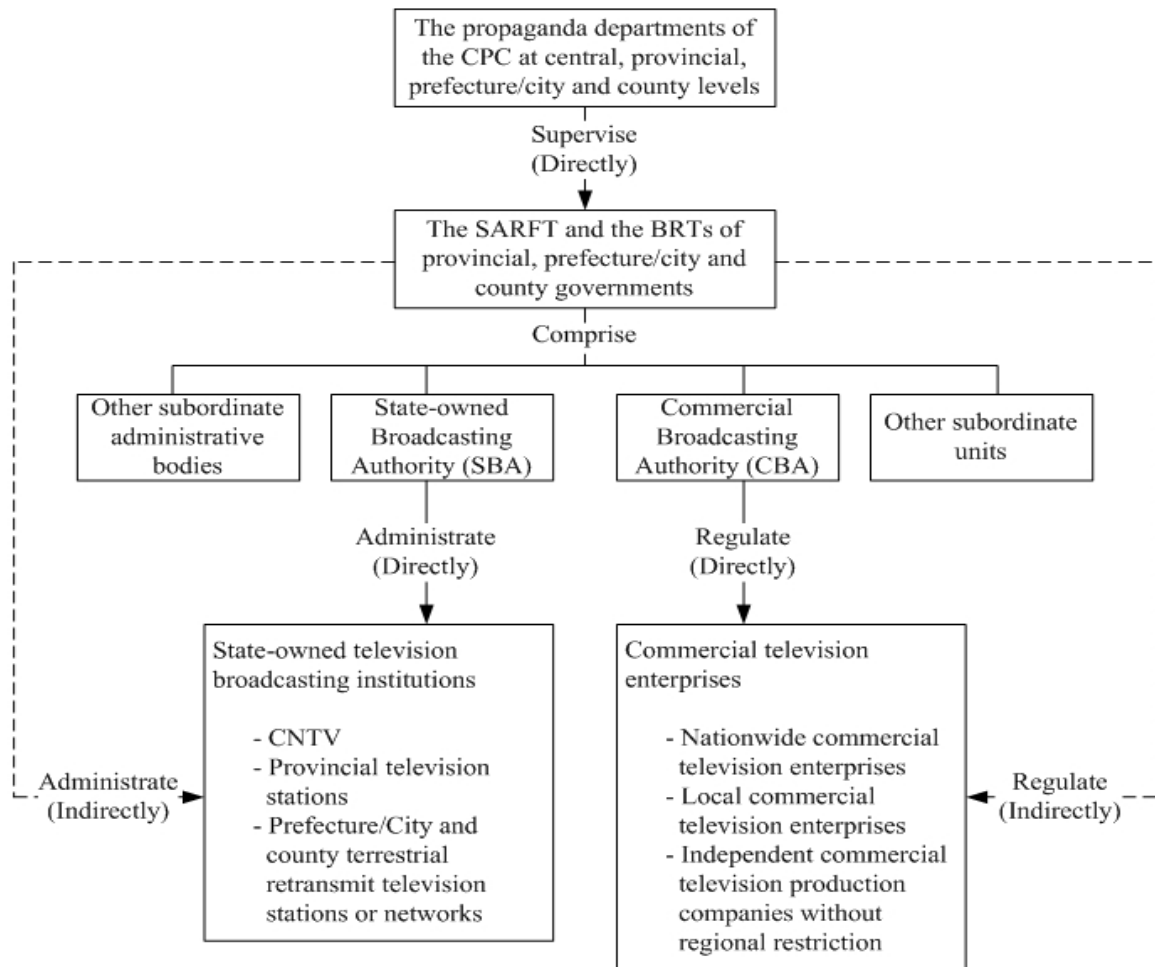


Figure 7.3 shows that the SBA and CBA are two individual administrative bodies belonging to the SARFT or the BRTs of provincial, prefecture/city and country governments. In the future DOTOP system, the SBA will be given the responsibility for administrating the political communication and public service of CNTV and provincial television stations as well as the retransmit of prefecture/city and county terrestrial retransmit television stations or networks<sup>334</sup>. CBA, somewhat like the Independent Broadcasting Authority (IBA)<sup>335</sup> in the

<sup>334</sup> As SBAs function at different administrative levels, their concrete responsibilities are distinguishing the future DOTOP system. The SBA, which belongs to the SARFT, is responsible for administrating the operation of all of China's state-owned television broadcasting institutions, notably the political communication and public service of CNTV. The responsibility of the SBAs belonging to the BRTs of provincial governments is to administrate the political communication and public service of state-owned provincial television stations. SBAs belonging to prefecture/city and county governments are responsible for administrating the retransmit of prefecture/city and county terrestrial retransmit television stations (or networks). More content regarding the furthering of marketisation of terrestrial, cable and satellite transmission networks in China's television

U.K., will be responsible for organising all new commercial television enterprises and regulating nationwide and local commercial television enterprises as well as independent commercial television production companies without regional restriction<sup>336</sup>. The greatest advantage in setting up the SBA and CBA will be their administration and regulation of China's state-owned and commercial television. Doing this, on the one hand, may strengthen the government's supervision and administration of the state-owned television broadcasting institutions. On the other hand, it could also scientifically and intellectually regulate China's commercial television enterprises by employing media scholars, professionals and experienced practitioners as CBA officials<sup>337</sup>, thereby avoiding excessive intervention by – and the influence of – politics by letting the market guide and drive the business behaviours and operational activities of all of China's commercial television enterprises. Media scholars, professionals and experienced practitioners could offer suggestions to television policy makers: they may even directly participate in policy-making, thereby improving and perfecting China's television policy.

Although the above reshuffle (i.e. adding two governmental administrative bodies) of the proposed DOTOP system may not solve all of the problems associated with China's television

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market chain will be provided in section 7.2.1.3 of this chapter.

<sup>335</sup> The Independent Broadcasting Authority (IBA) was the regulatory body in the U.K. for organising the new Independent Local Radio (ILR) stations. On 1 January 1991, the IBA was replaced by the Independent Television Commission (ITC) and the Radio Authority (RAu) (Deng, 2003; Petley, 2006). For more information about the IBA, see section 5.2 of Chapter Five.

<sup>336</sup> Like SBAs, CBAs at various administrative levels will have different concrete responsibilities in the proposed DOTOP system. The CBA, which belongs to the SARFT, is responsible for organising the new commercial television enterprises and regulating the relevant business behaviours and operational activities of all of China's commercial television enterprises, particularly those nationwide commercial television broadcasters, MSOs and DBS companies. In terms of distinct administrative levels, the CBAs belonging to the BRTs of provincial, prefecture/city and county governments will correspondingly regulate the relevant business behaviours and operational activities of the native local commercial television enterprises including local affiliated stations and owned-and-operated stations (O&Os) of nationwide commercial terrestrial television broadcast corporations or networks, local independent television stations, local simplex cable systems, local distributors or retailers of nationwide DBS companies and local independent commercial television production companies (without regional restriction).

<sup>337</sup> In order to enhance the regulatory ability, media scholars, professionals and experienced practitioners may be employed as officials doing the daily work of the CBA. Furthermore, they may also supply valuable suggestions or recommendations to China's television policy makers.

industry policy, it may to a great extent reduce the effects of the problems that plague television development in China. Using ‘the basic mode of administering and influencing the television industry in the U.S.’ as reference (see Figure 5.1 in Chapter Five), by strengthening the supervision intensity of China’s legislative institutions (i.e. People’s Congress at the national, provincial, prefecture/city and county levels), judicial bodies (courts at various administrative levels), television corporations, networks and industrial associations, television audiences, the SARFT and the BRTs of the provincial, prefecture/city and county governments can effectively influence and promote their administration and regulations, and accordingly inhibit further problem-related damage to policy making, content and implementation of China’s television industry.

To sum up, and in light of the fact that China’s ODSS will not see any essential change in the immediate future, the core notion of furthering marketisation in the system and policy of China’s television industry focuses on two specific aspects: the establishment of a DOTOP television system to replace the present OOTOP system and the resetting of governmental administrative bodies, i.e. adding SBA and CBA to both the SARFT and BRTs of provincial, prefecture/city and county governments. These two reform measures, to be implemented at system and policy aspects in China’s television industry, will provide significant foundations and preconditions for furthering the marketisation of the organisational structure and horizontal administrative arrangement and market chain as well as the later industrialisation, ‘conglomeration’ and ‘internationalisation’.

### **7.2.1.2 Furthering the Marketisation of the Vertical Organisational Structure and the Horizontal Administrative Arrangement of China's Television Industry**

In the present OOTOP system, primary problems including the repetitious building of television broadcasting institutions, surviving the crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels<sup>338</sup> and restrictions on cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations are fundamentally attributable to the 'dual leadership' system; i.e. vertical supervision and horizontal administration of China's television broadcasting institutions (see section 6.2 of Chapter Six). Therefore, how to reform or change the dual leadership system becomes the key to furthering the marketisation of the vertical organisational structure and horizontal administrative arrangement of China's television industry.

In fact, the dual leadership system can only target state-owned television broadcasting institutions. This is because in the OOTOP system, all of China's television broadcasting institutions are state-owned and established based upon their respective administrative levels (including central/national, provincial, prefecture/city and county). This particular structure renders them vulnerable to the dual leadership system of vertical supervision by the SARFT or the BRTs of local governments and horizontal administration by the propaganda department of the CPC at various administrative levels<sup>339</sup>. However, as I suggest in section 7.2.1.1 of this chapter, in the proposed DOTOP system, the present sole ownership (i.e.

<sup>338</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>339</sup> Detailed content and illustration appear in Figures 6.1 and 6.2 in Chapter Six.

state-owned) of China's thousands of television broadcasting institutions will switch to dual ownership: state-owned and commercial. State-owned television stations will only be established on two administrative levels – national and provincial, replacing the original 'Television Stations Established on Three Administrative Levels' (TSETAL) policy<sup>340</sup>. At the prefecture/city and county levels, there will be hundreds, even thousands of state-owned terrestrial retransmit television stations or networks. This means that under the DOTOP system, only a specific number of state-owned television broadcasting institutions, consisting of thirty-three state-owned television stations (CNTV and thirty-two provincial television stations) and state-owned terrestrial retransmit television stations or networks may be subject to the original dual leadership system. In contrast, more commercial television enterprises, irrespective of whether they are nationwide or local commercial television broadcasters, corporations and networks, or independent commercial television production companies without regional restriction, will be basically guided and driven by market forces and dictates, with the aim of maximising capital and profit (despite the influences of politics, i.e. the relevant policies or regulations that still exist to some degree). In this way, the aforementioned primary problems that persist in the organisational structure and administrative arrangement of China's television industry, will either be solved or at least alleviated to some extent<sup>341</sup>.

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<sup>340</sup> The relevant content about 'Television Stations Established on Three Administrative Levels' (TSETAL) policy appears in section 4.1.2 of Chapter Four.

<sup>341</sup> First, in the proposed DOTOP system, due to having adopted the strategy of television stations established on two (national and provincial) administrative levels instead of the original 'Television Stations Established on Three Administrative Levels' (TSETAL) policy, there will be only thirty-three state-owned television stations (CNTV and thirty-two provincial television stations). Once being guided and driven by the market, the building numbers of commercial television enterprises will be maintained within reason in terms of the market demand as well as the consumption ability of audiences. Under these circumstances, problems such as the repetitious building of thousands of television broadcasting institutions (including television stations, educational television stations and television and broadcasting stations) will be effectively solved in the future DOTOP system. Second, in the DOTOP system, the provincial non-satellite (terrestrial and cable) channels will be either shut down or changed to commercial television, becoming the thematic channels of the nationwide (terrestrial) television broadcast corporations or networks, multiple system operators (MSOs) or Direct Broadcast Satellite (DBS) companies as well as being driven by market forces in the future DOTOP system. All of the television stations at prefecture/city level in the present OOTOP system will be either closed down or transformed into terrestrial

The SARFT and the BRTs of provincial, prefecture/city and country governments should set up two additional administrative bodies – the SBA and CBA to respectively administrate and regulate the state-owned television broadcasting institutions and commercial television enterprises in the future DOTOP system. This may enhance the government's administration and regulation abilities regarding state-owned and commercial television, thereby effectively decreasing or at least in part relieving the influences of the problems that persist in the industry's organisational structure and administrative arrangement. In the next section, focus will be upon recommendations concerning furthering the marketisation of the market chain of China's television industry.

### **7.2.1.3 Furthering the Marketisation of the Market Chain of China's Television Industry**

China's television industry does not have the due elaborate division and high degree of specialisation to match its vast size. This is mainly caused (a) by China's basic television system OOTOP; (b) by the particular style of television policy-making, content and implementation employed in China; and (c) by the specific vertical organisational structure

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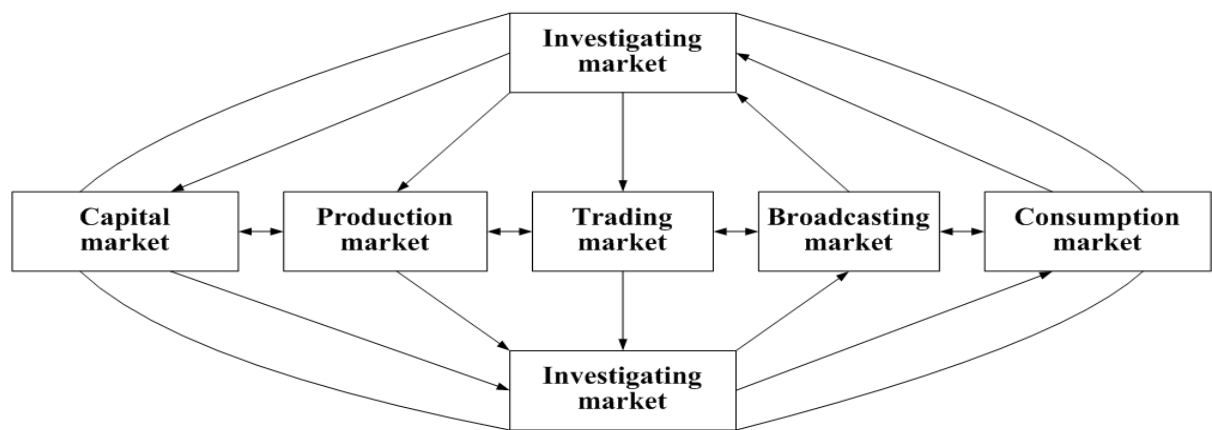
retransmit television stations or networks. In the future DOTOP system, the original comprehensive news and social or cultural channels of the current prefecture/city television stations can either be shut down or merged into the aforesaid prefecture/city channels of state-owned provincial television stations. The original thematic channels of the present prefecture/city television stations may be closed or changed to commercial television, becoming the thematic channels of the nationwide (terrestrial) television broadcast corporations or networks, multiple system operators (MSOs) or Direct Broadcast Satellite (DBS) companies as well as running under the drive of market forces. The thousands of simplex cable systems owned by the present prefecture/city television stations can be privatised and digitalised, thereby merging into the nationwide MSOs or becoming independent television stations or simplex cable systems. The sixty-two education television stations (at the national/central, provincial and prefecture/city levels) in the present OOTOP system may be closed or changed to culture and education channels of CNTV or state-owned provincial television stations under the future DOTOP system. Consequently, the problem of surviving crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels will similarly be solved. Last, in the proposed DOTOP system, although a small number of state-owned television broadcasting institutions will still be restricted in the areas of cross-region, cross-administrative rank and cross-industry operations and/or integration, the large number of commercial television enterprises (mainly the nationwide terrestrial television broadcast corporations or networks, MSOs and Direct Broadcast Satellite (DBS) companies as well as independent commercial television production companies without regional restriction (excepting local affiliated stations and O&Os of nationwide commercial terrestrial television broadcast corporations or networks, independent television stations, simplex cable systems and local distributors or retailers of nationwide DBS companies) will be allowed to operate and/or intergrate cross-region, cross-administrative rank and cross-industry. This implies that the problem of the restrictions on cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations has to a great extent been alleviated.

and horizontal administrative arrangement of China's television industry. At present, the capital, production, trading, broadcasting, consumption and investigating markets of China's television market chain are teetering precariously between the 'pulls' and 'pushes', between political forces and economic forces. This can be viewed as the 'play game' that occurred between political power and the market force during the process of government regulation and/or deregulation (see section 6.3, Chapter Six). The essential purpose of furthering the marketisation of the market chain of China's television industry is to strengthen the market force's ability to 'game play' with political power, ultimately letting the market dominate and drive the development of China's television industry, particularly its commercial television industry.

Under the future DOTOP system, China's television industry will comprise both state-owned and commercial television rather than the present sole state-owned television. Furthering the marketisation of China's television market chain will basically aim at commercial television. State-owned television, which is mainly funded by government allocations or subsidies, only undertakes the functions of political communication and public service (because it is not a commercial enterprise, it does not benefit from commercial profit). In this section, furthering the marketisation of the market chain of China's television industry will primarily reflect two emphases: first, how to strengthen the market force and let it dominate and drive the business behaviour and operational activity of commercial television enterprises, thereby completing and maturing China's television market chain as well as enhancing the elaborate division and high degree of specialisation of China's television industry; second, how to advance the coordinate and cooperative development of each component market of China's television

market chain. Based on these two emphases, in the following section, I will present recommendations regarding furthering the marketisation of each component market of China's television market chain – capital, production, trading, broadcasting, consumption and investigating markets, as shown in Figure 7.4<sup>342</sup> below.

**FIGURE 7.4 The 'market chain' of China's television industry**



Source: Lu (2002, p.114)

#### *(1) Furthering the Marketisation of the Capital Market*

In the present OOTOP system, the market appears to occupy an inferior position in the 'play game' involving politics and China's television capital market. This strongly suggests a serious imbalance in capital distribution: CCTV, along with the majority of the provincial satellite stations/channels, accrues superfluous capital by virtue of monopoly rights or privileges endowed by the 'regulation of structure' of China's television industry and the Chinese government's attitude towards the television capital market (i.e. strictly forbidding foreign capital and conditionally deregulating Chinese private capital<sup>343</sup> as well as blocking foreign entry into China's capital market). Most of the provincial non-satellite (terrestrial and

<sup>342</sup> Figure 7.4 is the same as Figure 6.4, Chapter Six.

<sup>343</sup> The term 'private capital' here denotes non state-owned capital and/or non public-owned capital.



cable), prefecture/city and other television stations/channels seriously lack the necessary capital for development (see section 6.3 of Chapter Six). Consequently, the goal of furthering the marketisation of China's television capital market may correct the existing serious imbalance in capital distribution.

The DOTOP system may greatly enhance the strength and influence of the market in China's television industry and accordingly correct or modify the serious imbalance in capital distribution. In the future DOTOP system, China will have both state-owned and commercial television. The state-owned television broadcasting institutions, which are basically funded by the government, will only undertake the functions of political communication and public service (not operate commercially to gain profit). Commercial television enterprises can attract investment by multiple capitals, including Chinese private capital, foreign capital or certain state-owned capital (e.g. CMCC). Their chief purpose is to seek profit maximisation from various sources such as commercial advertising, subscriptions and television production sales. This means that state-owned and commercial television stations will have different capital and income sources; hence they will not compete on the capital market in the proposed DOTOP system. In this way, state-owned television will no longer need monopoly rights or privileges to accrue superfluous capital. Commercial television will be given the relatively fair chance of competing on the capital market. By extension, capital distribution will tend to balance.

Once having embraced the DOTOP system, the Chinese government's attitude towards the television capital market will need to change. First, the government policies and regulations

that forbid foreign capital and restrict Chinese private capital entering into the television capital market must be revised. New policies and regulations should permit foreign capital investment or conditional investment in China's commercial television industry. Chinese private capital needs to be completely deregulated and freely participant in the operation and business of China's commercial television. Second, the shareholding system should be actively introduced into the capital market of China's commercial television. The shareholding system claims that an individual or joint stock company (including a corporation) is legally owned by one or more shareholders and that ownership and managership of said individual or company are separate. Hence, such individuals or companies will strive to improve shareholder value<sup>344</sup> (MBAlib, 2007). There are three direct advantages to employing a shareholding system in China's commercial television capital market: (a) it may bring in more money for furthering the marketisation and industrialisation of China's television industry; (b) it can expand China's commercial television enterprises by gathering more capital on the stock market; and (c) it may diversify the capital components of China's commercial television enterprises and let various capitals mutually balance, thereby assuaging the Chinese government's doubts and perceived paranoia vis-a-vis non state-owned (or non public-owned) capital, i.e. private and foreign capital.

However, it is unthinkable that the Chinese government will totally change its attitude towards the television capital market overnight. Out of consideration for the national interest, national security and the ruling stability of the CPC, the government may regulate, oversee

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<sup>344</sup> Phoenix Television is a typical example of a commercial television company with a shareholding system. Phoenix Television has three main shareholders: Today's Asia Limited (owned by Chang Le Liu, who is also the CEO and founder of Phoenix Television), China Mobile Communications Corporation (CMCC) and STAR TV (wholly-owned by News Corporation) (Scholar D, personal communication, Jinan, 18 December 2006).

and restrict the behaviour and activities of commercial television enterprises to some extent by issuing relevant laws and regulations. In the interests of survival and development, most commercial television enterprises will follow the ‘game rules’ formulated by the government rather than overstep the Party’s line and possibly jeopardise their futures in the industry.

Furthering the marketisation of the capital market may, to a great extent, relieve the intervention and influence of politics and state policies, and strengthen the domination of the market force over capital distribution in China’s television industry. By occupying the foremost position in the television market chain, successful marketisation of the capital market will not only promote furthering the marketisation of downstream markets but will also stimulate the mutual cooperation of each component market in China’s television industry.

## *(2) Furthering the Marketisation of the Production Market*

In China’s television industry, the production markets of television programmes and television series need to be carefully considered as separate entities. A comparison of the two markets reveals that China’s television series production market and other markets (capital, trading, broadcasting, consumption and investigating markets) of the market chain have a high degree of market division and specialisation (or higher degree of marketisation). They are the only group of markets in China’s television industry that are driven and influenced more by market forces and economic interest than by politics and state policies (see section 6.3.2.2 of Chapter Six). Despite the fact that China’s television series production market has ongoing problems (e.g. the production capacity of a television series is far higher than its

actual broadcast capacity and there is excessive repetition of themes and content of television series), these problems are common phenomena in the market economy and can be adjusted by the market itself. This section will focus on furthering the marketisation of China's television programmes production market. The aim is to enhance the degree of market division and specialisation (or the degree of marketisation) of television programmes production by using the more successful experiences of China's television series production market as reference. Hopefully, this innovative approach will solve the major problems extant in the television programmes production market – the 'union of production and broadcast' (UPB) operation pattern that results in the market being unable to supply the required number of high quality programmes needed to meet Chinese audiences' ever increasing consumption demands<sup>345</sup>.

The most valuable lesson to be learned by China's television programmes production market is the 'separation of production and broadcast' (SPB) operation pattern of China's television series production market. Although adoption of the SPB operation pattern met with resistance under the present OOTOP system, the separation of state-owned television from commercial television in the proposed DOTOP system will go some way to alleviate these difficulties. According to the aforementioned recommendations, in the DOTOP system, CNTV and the thirty-two state-owned provincial level television stations will in the main continue to use the UPB operation pattern, i.e. the production and broadcasting of television programmes will be carried out by state-owned television stations. Certainly, these state-owned television stations could purchase a small quantity of television programmes from independent television

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<sup>345</sup> The relevant analysis regarding China's television programmes production market and television series production market is detailed in section 6.3.2.2, Chapter Six.

production companies (or other television production institutions)<sup>346</sup>. Irrespective of whether they are nationwide or local, commercial television enterprises may adopt the SPB operation pattern, which means that a considerable percentage of television programmes broadcast by commercial television enterprises can be purchased from the trading market, based on audience demand. In the proposed DOTOP system, most television programmes on the trading market would be produced by a certain number (maybe hundreds or thousands) of independent commercial television production companies (or other television production institutions) without regional restriction. Separation of television programmes – production and broadcast – could effectively rectify the problem of insufficient numbers of high quality programmes to meet the Chinese audiences’ burgeoning consumption demands, a problem caused by the original UPB operation pattern. As well; it would enhance the degree of market division and specialisation (or the degree of marketisation) of television programmes production. In fact, the above SPB operation pattern is basically consistent with the Perfect-SPB operation pattern discussed in section 6.3.2.3 of Chapter Six<sup>347</sup>.

The government should also relax its restrictions on certain ‘so-called’ politically and morally sensitive issues. This may not only give China’s commercial television enterprises and state-owned television stations more scope for producing the types of programmes that audiences would welcome but could also open up a communication channel between the government and the public. This communication channel could be seen as a dialogue platform

<sup>346</sup> For example, in the U.K., both the BBC and Independent Television (ITV) are required to “commission at least 25 per cent of their programming from independent producers” (Küng-Shankleman, 2000, p.75).

<sup>347</sup> ‘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 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 also section 6.3.2.3, Chapter Six).

from which the people<sup>348</sup> could express their feelings and arguments and the government could voice its attitudes and policies.

### *(3) Furthering the Marketisation of the Trading Market*<sup>349</sup>

In the present OOTOP system, the Non-SPB (i.e. UPB), Primary-SPB and Intermediate-SPB operation patterns have been widely adopted. But the Perfect-SPB operation pattern is less than popular in China's television programme industry. Under these circumstances, the volume of television programmes produced by production companies exceeds the actual demand of the television broadcasters, as the latter can access programmes through Non-SPB (i.e. UPB), Primary-SPB or Intermediate-SPB operation patterns. This renders the statuses of television programme production companies and television broadcasters less than equal and trading between them debatably unfair. 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<sup>350</sup>. However, concomitant with the possible wide adoption of Perfect-SPB operation pattern by China's television programmes production market in the proposed DOTOP system, the unequal trading status between television programme production companies and television broadcasters will be changed due to broadcasters' increasing dependence on programmes provided by production companies. Under these circumstances, the chief purpose of furthering the marketisation of China's television programme trading market is to complete the four main trading approaches, i.e. television

<sup>348</sup> In this chapter, the term 'people' means the Chinese people in general (if I do not indicate otherwise).

<sup>349</sup> As the Perfect-SPB operation pattern has been adopted more by China's television series industry and less by China's television programme industry, the trading market of the market chain of China's television series industry is relatively mature and complete. Hence, in this section, the furthering of marketisation will focus on the trading market of the market chain of China's television programme industry.

<sup>350</sup> Relevant content regarding the trading market of the market chain of China's television programme industry has been provided in section 6.3.2.3, Chapter Six.

festivals and international television production exhibitions/fairs, direct transactions, the displaying of television programmes, and online/Internet trading<sup>351</sup>.

The first approach applies to television festivals and international television production exhibitions/fairs. Because the Non-SPB (i.e. UPB), Primary-SPB and Intermediate-SPB operational patterns dominate China's television programme production in the present OOTOP system, the top level trading goods at these festivals/exhibitions/fairs are television series. In the proposed DOTOP system, television programmes' percentage of total trade content and volume will certainly increase, along with the possible wide adoption of Perfect-SPB operational pattern by China's television programmes' production market. Meanwhile, two effective proposals may be put into practice: the first will enhance the popularity and influence of festivals/exhibitions/fairs throughout the nation and the world via stronger promotion and advertising; the second will offer certain favourable concessions to the small television production companies or institutions (e.g. by reducing or exempting their registration and exhibition fees), measures that will attract more television enterprises to amalgamate with them.

The second also considers direct transaction between television programme production companies and broadcasters. In fact, four approaches to direct transactions on the television series trading market can be considered by the television programme trading market: (a) 'cash transactions'; (b) 'advertising compensation'; (c) 'a combination of cash transaction and advertising compensation'; and (d) 'broadcaster earlier investment of funds in television

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<sup>351</sup> Detailed discussions related to the four main trading approaches comprising television festivals and international television production exhibitions/fairs, direct transaction, displaying of television productions, and online/internet trading appear in section 6.3.2.3, Chapter Six.

programmes production'. The relevant content has been detailed in section 6.3.2.3 of Chapter Six.

The third focuses on the displaying of television programmes. Usually, television programme producers arrange to display their programme samples at times coinciding with television festivals or (international) television production exhibitions/fairs, in order to minimise outlay. In fact, such displays cannot totally reach their expectations of adequate promotion of television programmes. This is because broadcasters may have been dazzled by various television productions at these festivals/exhibitions/fairs and cannot wholly concentrate on one or some previously vested targets. In future, larger television production enterprises may arrange regular semi-annual or quarterly displays, in the interests of promoting their programmes.

The last approach concerns online/Internet trading. In recent years, online/Internet trading has become increasingly important on the television programme trading market although it was not the traditional mainstream trading approach. While online/Internet trading of television programmes has gradually become popular and accepted, the following three areas require more attention: (a) improving the quality of online/Internet trading services, e.g. providing high definition previews or samples of television programmes, guaranteeing the security of online payment and protecting the privacy of clients; (b) enhancing the popularity and influence of online/Internet trading websites by increasing promotion and advertising on and in traditional media such as television, radios, newspapers and magazines; and (c) gaining the trust of both television broadcasters and television programme producers through pluralistic



means, e.g. personal communication and public relations.

#### *(4) Furthering the Marketisation of the Broadcasting Market*

As with China's television broadcasting institutions in the present OOTOP system, the three primary television transmission networks – terrestrial, cable and satellite – on China's broadcasting market are also state-owned and affiliated with diverse television broadcasting institutions. This fact has directly fuelled the many problems that plague the broadcasting market of China's television market chain, such as the discontinuation of the development of terrestrial television, minimal cooperation, lack of 'economies of scale' and waste of social resources of cable television, and the serious frustrations and difficulties associated with the promotion of DBS (see section 6.3.2.4, Chapter Six). The best means of resolving the aforesaid problems would be to further the marketisation of the broadcasting market of the market chain of China's television industry; that is, marketise the terrestrial, cable and satellite transmission networks in the proposed DOTOP system according to their distinct features as well as the different development actuality of each network. The primary aims of furthering marketisation are to balance the development of each transmission network and to let the market drive the development of the three transmission networks under the preconditions of guaranteeing national security and stabilising the ruling status of the CPC. In the following section I present recommendations regarding furthering the marketisation of the terrestrial, cable and satellite television transmission networks.

##### *(a) Furthering the Marketisation of the Terrestrial Television Transmission Network*

In terms of the design of the DOTOP system, the future terrestrial retransmit television

stations or networks will switch from the present prefecture/city television stations or country broadcasting and television stations to a jointly composed state-owned nationwide terrestrial television transmission network for achieving the high terrestrial signal covering rate of CNTV and provincial state-owned television stations in China. This is to further ensure sufficient coverage by the state-owned television broadcasting and guarantee the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda) for the successful dissemination of Party policy (see section 7.2.1.1 of this chapter). Furthering marketisation of the terrestrial television transmission network cannot successfully privatise, commercialise and marketise the terrestrial retransmit television stations or networks and maintain the original state-owned ownership and operation pattern of these particular stations or networks in China.

Under these circumstances, furthering marketisation of the terrestrial television transmission network needs to emphasise the digitalisation of China's terrestrial retransmit television stations or networks. Digitalisation may greatly improve both the picture and sound quality of terrestrial television and avoid the scarcity of terrestrial television channels. This will enhance the overall strength of terrestrial television and attract more audiences during the process of future competition with cable and satellite television. In fact, the Chinese government has begun the digitalisation of terrestrial television. For example, DMB-TH was approved as the unified digital terrestrial television (DTT) standard in China on 18 August 2006 and was mandatorily implemented on 1 August 2007 (Pan, 2007) (see section 4.2, Chapter Four). Digitalisation of the terrestrial retransmit television stations or networks can be basically funded by the government; this will not prove a burden for the Chinese government when one

considers its fiscal revenue today.

#### (b) Furthering the Marketisation of the Cable Television Transmission Network

Problems that surround China's cable television transmission network include limited cooperation, lack of 'economies of scale' and waste of social resources. Furthering the marketisation of the cable television transmission network will mainly concentrate on privatising, commercialising and digitalising the thousands of simplex cable systems owned by the present state-owned prefecture/city television stations. According to the recommendation alluded to in section 7.2.1.1 of this chapter, in the future DOTOP system, thousands of existing state-owned simplex cable systems will be privatised. Chinese private capital, foreign capital or even certain state-owned capital (e.g. CMCC) will determine the new owners of these simplex cable systems following payment to the state-owned prefecture/city television stations (i.e. the original owners of these simplex cable systems) of certain expenses for their investment in the establishment and maintaining of these simplex cable systems. Moreover, new private simplex cable systems can be established in terms of market size and demand. All of these private simplex cable systems will be completely commercially operated; their chief purpose will be to seek the maximum capital and profit. Due to pressures brought to bear by stormy competition and survival and development, most simplex cable systems will be integrated into and merged with the nationwide MSOs under the drive of the market force. So, under the future DOTOP system there will be several MSOs on the broadcasting market of the market chain of China's television industry. The benefits of 'economies of scale' of a unified cable television network can then be given full play<sup>352</sup>.

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<sup>352</sup> As I have suggested in section 7.2.1.1 of this chapter, despite China's cable television transmission networks being privatised, borrowing and developing the experience of the U.S. television that 'cable television systems must retransmit

Digitalisation (or digital transformation), which is viewed as the future development trend of China's cable television transmission networks, may not only alleviate the scarcity of cable television channels but also supply more characteristic services such as an electronic programme guide (EPG), an interactive programme guide (IPG), video on demand (VOD) and time-shifting. A more important significance of digitalisation is that it can enhance the overall strength of China's cable television as well as the whole of the television industry in future competition with China's telecommunication industry.

However, irrespective of integration or digitalisation, China's cable television transmission networks have to confront two obstacles: lack of capital and resistance from local governments (mainly prefecture/city or county governments). The lack of capital dilemma can be solved by privatising the cable television transmission networks in the future DOTOP system. As the prospective new owners of China's cable television transmission networks, Chinese private capital, foreign capital or certain state-owned capital will certainly undertake the cost of the integration and digitalisation of China's cable television transmission networks because integration and digitalisation are the most effective pathways and/or shortcuts for them to take to enhance their overall strength, allowing them to contend with increasing stormy competition in the future.

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signals or channels of local (terrestrial) television stations that have a certain audience' (see section 5.1.2.2 of Chapter Five), China's cable television systems as well as DBS providers (irrespective of whether they are state-owned or private) in the future DOTOP system must unconditionally retransmit the nationwide coverage channels and optionally retransmit the provincial coverage channels of state-owned television stations. This aims to further ensure an adequate coverage rate of state-owned television broadcasting and guarantee the Party's and the government's capabilities vis-a-vis political (or ideological) communication (e.g. propaganda).

Having solved the problem of lack of capital, it will not be difficult to confront the second obstacle – resistance from local governments. During the process of privatisation, the original owners of China’s cable television networks (i.e. the state-owned prefecture/city television stations) will be paid a certain sum of money to compensate for their investment in establishing and maintaining the cable television networks. This may diminish local government resistance. The support of the central government will be equally important to the integration and digitalisation of China’s cable television transmission networks. The central government may deregulate the television capital market, allowing private, foreign and certain state-owned capitals to enter China’s television industry by making and implementing certain regulations or policies. At the same time, administrative orders issued by the central government could greatly influence the local governments. This may also reduce local governments’ resistance during the process of integration and digitalisation of China’s cable television transmission networks.

Out of consideration for the national interest, national security and the ruling stability of the CPC, the government will to some extent oversee and supervise the behaviour patterns and activities of commercial cable television transmission networks; this is to all intents and purposes reasonable. As regards better administration of China’s commercial cable television transmission networks, this can be carried out by the proposed new administrative body (the CBA). The relevant recommendation regarding the establishment of CBA is presented in section 7.2.1.1 of this chapter.

### (c) Furthering the Marketisation of the Satellite Television Transmission Network

At present, there is no provision for ‘direct-to-home’ (DTH) satellite television transmission in China. Only ‘indirect-to-home’ (ITH) satellite television transmission is permitted. That is why to date there is no real DBS company in China and DTH satellite service is not available to everyday Chinese families<sup>353</sup>. Consequently, the goal of furthering the marketisation of the satellite television transmission network is to popularise the DTH satellite services (i.e. DBS services) among everyday Chinese families through the establishment of DBS companies and DBS transmission networks in China.

China’s television industry has had to consider four basic conditions for developing DBS services. First, the government’s attitude has been to encourage the development of DBS. For example, China’s first home-made communications and broadcast satellite Sinosat-2 was launched on 29 October 2006<sup>354</sup>. But because this satellite met with some technological problems and failed to work efficiently, new communications and broadcast satellites (e.g. Sinosat-3, Sinosat-4 and Sinosat-X) have been scheduled for launching. Second, the development of DBS technology is mature and complete. In 1994, the dream of DBS direct-to-home (DTH) came true in the U.S. Since then, DBS technology has become increasingly perfected worldwide. Third, the rapid popularisation and development of DBS in western countries has greatly stimulated China’s will to develop its own DBS. For example, by the end of 2006, DBS subscribers numbered over 29.6 million in the U.S., accounting for approximately 26.52 per cent of America’s 111.6 million television users (*iResearch*, 2007)<sup>355</sup>.

<sup>353</sup> The detailed content related to China’s satellite television transmission networks appears in section 6.3, Chapter Six.

<sup>354</sup> The relevant content of China’s first home-made communications and broadcast satellite Sinosat-2 has been detailed in section 4.2 of Chapter Four.

<sup>355</sup> Content about the development of DBS in the U.S. appears in section 5.1, Chapter Five.

Fourth, many Chinese media scholars, practitioners and officials have realised that DBS is an important and indispensable component of China's television industrialisation reform<sup>356</sup>.

The establishment of China's DBS companies and transmission networks can use the development of the DBS in the U.S. as reference; that is, to actively encourage and promote China's commercial DBS services. In other words, the DBS companies and transmission networks in China should be established under the drive of market forces rather than as a response to the administrative orders or regulations of government. The government should simply play the role of guide. This is coincident with the design of the DOTOP system: in the proposed DOTOP system, China will have two nationwide commercial DBS companies in the form of the U.S.'s DirecTV and EchoStar<sup>357</sup>. The operational pattern of these DBS companies and their transmission networks will be completely commercial. Each DBS company may incorporate thousands of local distributors or retailers and own millions of subscribers. Every DBS subscriber will be given real DTH satellite service. In this way, most DBS services in China will be concentrated in a small number of powerful DBS companies as a result of fierce market competition. This concentration of DBS services will not only boost the overall strength of China's DBS industry but also effectively decimate the survival rate of the current illegal satellite receiver retailers in China, forcing them to quit China's satellite television market. Moreover, from another perspective, this form of concentration allows the government to regulate and administrate DBS companies and the whole of China's satellite television transmission networks.

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<sup>356</sup> In terms of the in-depth interviews and focus groups conducted in China, most respondents and participants (consisting of media scholars, practitioners and officials) deemed it necessary to develop DBS in China quickly.

<sup>357</sup> The relevant content of DirecTV and EchoStar is detailed in section 5.1, Chapter Five.

*(5) Furthering the Marketisation of the Consumption Market*

The primary problem associated with the consumption market of the market chain of China's television industry is that television productions supplied to the consumption market cannot meet the increasing needs and preferences of Chinese viewing audiences. This is mainly the concern of the present OOTOP television system. Within the framework of OOTOP, the making and content of television productions must serve politics first and the public second. Taking into account the demands or preferences of China's viewing audiences is of secondary importance<sup>358</sup>. Hence, approaches to solving this problem cannot be solely limited to a consumption market but should move to the whole of China's television industry, even to the entire Chinese society.

Changing the present OOTOP to the proposed DOTOP system is a precondition of solving this problem effectively. This is because under the DOTOP system, there will be both state-owned and commercial television enterprises in China. While the state-owned television broadcasting institutions will continue to serve politics and the public, the commercial television enterprises will be market driven and forced to produce sufficient television productions to meet the Chinese audiences' needs.

Second, the government should narrow the socio-economic gaps that distinguish the peoples in the different regions of China. This may effectively reduce the diversity of demands or preferences of audiences vis-a-vis television productions, attributable to people's various living standards, educational levels and cultural mores. This should alter the actual situation

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<sup>358</sup> The detailed discussion regarding the problems extant in the consumption market of the market chain of China's television industry appear in section 6.3, Chapter Six.



that most Chinese television productions (notably television programmes) ignore the demands of highly educated and culturally accomplished viewing audiences due to excessive vulgar obsequiousness and over commercialisation.

*(6) Furthering the Marketisation of the Investigating Markets*

The primary problem that persists in the investigating market of the market chain of China's television industry is the fact that the whole of the investigating market has bent to one power, i.e. CVSC-Sofres Media (CSM) dominance. Due to this capitulation, the Chinese investigating market has lost all notions of fair competition and motivation. Furthering the marketisation of the investigating market will break the monopoly of the CSM and introduce free and fair competition into China's investigating market.

In the OOTOP system, all of China's television broadcasting institutions are state-owned. They are forced to purchase CSM's investigating statistics because CSM's largest investor CTR Market Research is an affiliate company of CCTV. It has 'official colour' and is viewed as a semi-official investigating enterprise in China<sup>359</sup>. However, as suggested earlier in this chapter, in the proposed DOTOP system, most of the present state-owned television broadcasting institutions (mainly at the prefecture and county levels) will either be closed or will switch to commercial television enterprises. There will be both state-owned and commercial television in China. This means that it will not be necessary for the commercial television enterprises to purchase CSM's investigating statistics in the future DOTOP system. They can buy their statistics from any investigating company they consider trust worthy. In

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<sup>359</sup> Detailed discussion concerning CVSC-Sofres Media (CSM) and the investigating market of the market chain of China's television industry appears in section 6.3, Chapter Six.

this way, to a great extent the dominance and monopoly of CSM can actually be broken. Moreover, the government should play an active role in furthering the marketisation of the television investigating market in China. For example, it needs to make and implement the relevant regulations or policies required to encourage and promote the establishment of new television investigating companies, irrespective of whether they are state-owned or private. As well, the government must guarantee free and fair competition in China's television investigating market. Under such circumstances, the market may ultimately become the chief force that drives the development of the investigating market of China's television industry.

In short, based on the aforesaid recommendations, furthering the marketisation of the market chain of China's television industry will ultimately strengthen the market force and allow it to dominate and drive business behaviour and the operational activities of the commercial television enterprises, thereby completing and maturing China's television market chain as well as enhancing the elaborate division and high degree of specialisation of China's television industry. Furthering marketisation will work to enhance the coordinate and cooperative development of each component market of China's television market chain. Ultimately, under the precondition that China's national interest, national security and the ruling stability of the CPC will not be threatened, the market force will assume a dominant position during the process of the 'play game' with political power; it can then dominate and drive the development of China's television industry, particularly commercial television.

To summarise this section (7.2.1), furthering the marketisation of China's television industry will provide a comprehensive and overall reform strategy for implementation at the system

and policy, at vertical organisational structure and horizontal administrative arrangement, and at the market chain of the television industry in China. In the entire process of furthering marketisation, the market and politics will be two important game players: their relationships will be both competitive and cooperative<sup>360</sup>. In the proposed DOTOP system, the market force will be gradually strengthened and will ultimately drive industrialisation reform as well as the future development of the television industry in China. In the interim, the intervention of politics in the commercial behaviour and marketing activities of China's television enterprises will slowly diminish. The Chinese government will no longer dominate the television industry. It will be a rational guide, showing China's television industry the correct path to development by making, implementing and accommodating workable regulations and policies. In fact, 'furthering the marketisation of China's television industry' is not only a recommendation regarding how to solve the problems that continue to plague China's television industry but will also be the first step in the process of furthering television industrialisation reform in China. Based on the first step, the next section presents recommendations vis-a-vis the second step – the conglomeration reform of the television industry in China.

### **7.2.2 Conglomeration Reform of the Television Industry in China**

The groups (or corporations) that initially appeared around the end of 19<sup>th</sup> century, are the mutual outcomes of the continual extension of market scale, the progressively elaborate

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<sup>360</sup> Furthering the marketisation of China's television industry may be identified as both an economic reform path based on market mechanisms and a sort of political (and/or policy) approach to television industrialisation, to some extent. The market and politics, two primary game players, will mutually drive and dominate the entire process of furthering marketisation as well as deal with the problems that beset the market and political (and/or policy) aspects. For example, furthering marketisation will tend to prioritise the needs of the urban middle class over those of most citizens in terms of accrual market demand. More open and democratic politics (and/or policies) may prove the best weapons for battling the bureaucracy, incompetence and corruption. Despite this, it can definitely be stated that at present, any reform measure – irrespective of whether it is based upon market mechanisms or political (and/or policy) approaches – must bow to the principles of China's fundamental political system – ODSS (One-party Dictatorship Socialist System) and proceed within its framework.

division and higher degree specialisation of industries and increasingly fierce competition between various firms. In the 20<sup>th</sup> century, particularly in the 1990s, cross-industrial and cross-national mergers, acquisitions, concentrations and conglomerations in the media and telecommunication industries became markedly frequent concomitant with the rapid advancement of computer, Internet, satellite and digital technologies. In such a gathering momentum, many huge international media groups (or corporations) came into being and pioneered development in the world's media, corporations such as Viacom, Time Warner Inc., The Walt Disney Company, Bertelsmann AG and News Corporation.

China's television industry attempted its first conglomeration practice between 1999 and 2004<sup>361</sup>. Although this attempt ultimately failed, in the end it does not necessarily mean that conglomeration reform of the television industry in China cannot be attempted again. In fact, 'conglomeration' can be viewed as the second step of the furthering of China's television industrialisation reform, succeeding its first step, i.e. 'furthering the marketisation' as well as the future development trend of China's television industry. This section will discuss three aspects of conglomeration reform of the television industry in China: the relevant theories/perspectives of television conglomeration, the prerequisites for conducting television conglomeration in China, and detailed recommendations regarding conglomeration reform of the country's television industry.

### **7.2.2.1 The Relevant Theories/Perspectives of Television Conglomeration**

Generally speaking, the expansion and exploitation of the potential of the media market in

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<sup>361</sup> The entire process and the reasons for the failure of the first conglomeration practice of China's television industry from 1999 to 2004 are detailed in section 4.1, Chapter Four.

today's world are essentially rooted in the interlinked movements of the entire structure of media industry. The expansion and exploitation embodied in media concentration<sup>362</sup> and conglomeration are viewed as important manifestations of media concentration in the television industry. Large media groups (or corporations) tend to dominate the entire resource allocation and operation of the television industry by virtue of their huge investments in markets. Conglomeration becomes the optimal approach to survival and development for most television firms (Garnham, 2000; Meier and Trappel, 1998; Scholar A, personal communication, Beijing, 11 January 2007; Scholar C, personal communication, Beijing, 12 January 2007). The following expatiation of the relevant theories/perspectives of television conglomerations focuses on three specific factors.

The first takes into account the definitions of television group (or corporation) and television conglomeration. The television group (or corporation) may be seen as a united organisation composed of particular television entities (e.g. stations, networks or companies) with independent corporate qualification for the improvement of production efficiency, scale benefit and overall competitiveness as well as the ultimate realisation of profit and capital maximisation of groups (or corporations) and their investors (Huang, Zhou, Jin and Wang, 2001). There are two organisational forms of television group (or corporation) – 'corporation group' and 'group corporation'<sup>363</sup>. Apropos of the aforesaid definition, the term 'television

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<sup>362</sup> The theories or perspectives regarding media concentration involving horizontal integration and vertical integration, market economy, economics of scope and economies of scope, media market and market structure, government intervention in media markets, and television industrialisation appear in sections 2.2 and 2.3, Chapter Two.

<sup>363</sup> According to Lu (2002), a corporation group is an alliance of a group of corporations under different ownership, which is based on technique and business connections and linked by capital in a certain way. The essence of this alliance is multi-centered, which means their development strategies may overlap as well as diversify. The rights and obligations of each member in an alliance are symmetrical. A group corporation or group enterprise is a community of diverse companies under common ownership. The essence of Group Corporation is centralised, which means that all members in this community have identical development strategic goals. The rights and obligations of each member can be symmetrical, or, based on the interest of the whole community, adjusted to meet individual needs (also see section 2.2 of Chapter Two). (This footnote was translated from Chinese into English by Ming Ming Diao.)

conglomeration' may have two different meanings. From a dynamic perspective, it is a transmission process of a company from single operation pattern to multi-operation pattern through new establishment or horizontal and vertical integrations (such as merging capital and operation of stock ownership or relevant agreements) designed to meet the needs of business growth or market expansion. From a stationary perspective, it means that a company has already completed the transmission process from single operation pattern to multi-operation pattern (Lu, 2002).

The second stands on the perspectives of pure market operation and activity. In a market economy framework, conglomeration is not only a process of optimal allocation of resources but also the market operation and activity of corporate entities seeking greater strength and competitiveness, larger scale benefit and more commercial profit<sup>364</sup>. The initial and chief driving force of conglomeration should be the market rather than the government. In this way, conglomeration is viewed more as an economic phenomenon and less as a political event. During the process of conglomeration, while the mergers, acquisitions and strategic alliances of the various groups (or corporations) are dominated by market forces, the government makes and implements the relevant policies or regulations according to the changes and needs of the market as well as to the development of industry. Sometimes however, the government may moderately intervene in conglomeration reform when it meets with trouble (e.g. illegal dealings and vicious competition), problems that the market cannot solve, particularly at the

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<sup>364</sup> Despite the fact that conglomeration is theoretically viewed as an optimal approach to allocating resources and achieving the economic or commercial goals of corporate entities, during the actual process, some mergers and acquisitions cannot meet the propellants' initial expectations (e.g. the recent history of AOL-Time Warner and Vivendi Universal as well as China's first conglomeration practice between 1999 and 2004). This has promoted some economic literature to begin to rethink and question the rationale of conglomeration. However, this does not mean that conglomeration of the television industry in China cannot be conducted. In fact, China's television conglomeration reform needs prerequisites. Details of the prerequisites for conducting television conglomeration in China will be provided in section 7.2.2.2 of this chapter.

beginning of the conglomeration<sup>365</sup>.

The third concerns the role and function of technology during the process of television conglomeration. According to McQuail (2005), media institutions and the development of media industry are at the centre of three overlapping types (politics, economics and technology) of ‘pulls’ and ‘pushes’ (see section 2.1 and Figure 2.5, Chapter Two). Consequently, technology plays an important role and undertakes the key function of conglomeration reform of the television industry. Notably in the present information era, the mode of making and transmitting television programs, the habit of watching television shows and notions of consuming television productions have been profoundly changed by the implementation of various new technologies (e.g. Internet, digital and satellite). These changes, to a great extent, are the basis of the transformation of the television industry involving the systems and operation patterns. Conglomeration reform is seen as a typical manifestation of this type of transformation in the television industry.

#### **7.2.2.2 The Prerequisites for Conducting Television Conglomeration in China**

Television conglomeration, the second step in the furthering of television industrialisation reform in China, has a significant task, i.e. to make China’s television enterprises and television industry stronger and bigger and ultimately bring to the fore television corporations or media groups in China that can compete in the international arena. However, an important prerequisite for conducting television conglomeration in China is that it should be undertaken based upon the ‘furthering of the marketisation of China’s television industry’, which will be

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<sup>365</sup> The literature review related to market economy and government intervention in media markets has been provided in section 2.3, Chapter Two.

the first step in the furthering of television industrialisation reform in China.

As I suggest in section 4.1, Chapter Four, China's first television conglomeration attempt that lasted from 1999 to 2004 has frequently been described as a 'premature infant', the expedition of which was generated by the Chinese government via administrative forces subject to both internal and external pressures. In fact, many antecedent conditions of television conglomeration in China were not provided at that time. For example, despite the fact that the reform of television marketisation has proceeded since 1979, it is still neither mature nor complete. Moreover, the impact of the reform of television ownership is yet to be felt, for to date all of the television stations in China remain stated-owned institutional units with varying degrees of political (or ideological) leanings. As yet, no operational private or foreign-funded television station has been established in China<sup>366</sup>.

Will the aforesaid reasons and problems continue to hinder the process of television conglomeration reform in China? The answer is 'no' because the relevant prerequisites for conducting television conglomeration in China have been prepared in the first step of the furthering of television industrialisation reform in China – 'furthering the marketisation of China's television industry'. These prerequisites can be summarised in the following three parts.

(1) The first focuses on China's television system and policy. As I recommend in section 7.2.1.1 of this chapter, an important requirement of the furthering of the marketisation of both

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<sup>366</sup> The relevant content of China's first conglomeration practice from 1999 to 2004 has been detailed in section 4.1, Chapter Four.



system and policy in China's television industry is to use the DOTOP television system to replace the present OOTOP system. In the proposed DOTOP system, sufficient amounts of operational private or foreign-funded television entities (e.g. stations, networks or companies) with independent corporate qualifications will emerge. They will constitute the main body of future television conglomeration reform in China. By contrast, in China's first television conglomeration attempt from 1999 to 2004, there were no such operational private or foreign-funded television entities. This was one of the primary reasons for the failure of that particular television conglomeration process.

(2) The second concerns the organisational structure and the administrative arrangement of China's television industry. In the future DOTOP system, most television enterprises (with the exception of the state-owned television stations and terrestrial retransmit television stations or networks) will be commercially operated and owned by private or foreign capital. These commercial television enterprises will not be established and divided based on administrative levels like state-owned television stations. They may individually decide their business scale, scope and region, and conduct horizontal or vertical integrations in terms of market drive and dictates as well as in terms of their own needs. This actually implies the biggest obstacle extant in the organisational structure and the administrative arrangement of China's television industry. Restrictions on cross-region, cross-administrative rank and cross-industry operations, such as those that hindered the process of China's first conglomeration practice from 1999 to 2004, will no longer appear in future television conglomeration reform in China.

(3) The third takes into account China's television market chain. In line with the recommendations in section 7.2.1.3 of this chapter, furthering the marketisation of the market chain of China's television industry will definitely complete and mature the television market chain in China. This is very significant for the succeeding steps to be taken in the interests of China's conglomeration reform. On the one hand, the function, power and status of the market will be strengthened concomitant with the degree of rise of marketisation. On the other hand, the cooperative relationship between each component market of China's television market chain could become increasingly close during the process of furthering marketisation. These two factors represent two important prerequisites for future television conglomeration reform in China at the micro market level: the dominant position of the market force during the process of various business behaviours and operational activities of commercial television enterprises; the formation of mutual interests of different commercial television entities on each component market in China's television market chain.

### **7.2.2.3 Detailed Recommendations Regarding Conglomeration Reform of the Television Industry in China**

Conglomeration is not easy for China's television industry to contemplate. Considering the complicated circumstances both inside and outside the television industry, the uncertain factors surrounding the television market and the diverse situations that obtain in various areas of China, it is without doubt difficult to detail how to put in place a comprehensive executive strategy or project for conglomeration reform of China's television industry. Nevertheless, based upon (a) the aforementioned relevant theories/perspectives of television conglomeration and prerequisites for conducting television conglomeration in China, as well

as on (b) the lessons learned from China's first television conglomeration attempt (1999 to 2004, see Chapter Four); (c) related referenced material collected through the study of commercial television in the U.S. and public television in the U.K. (see Chapter Five); and (d) in-depth interviews conducted in China with media scholars, practitioners and officials in the course of exploring China's television conglomeration, I will attempt to summarise detailed recommendations regarding conglomeration reform of the television industry in China. This will involve three primary factors as well as offer a figure pertinent to the design of organisational structure of a television and radio broadcasting group/corporation in China.

The first task of any given newly-established television and radio broadcasting group/corporation is to construct a highly efficient interior management mechanism (e.g. build an efficient management team) equipped to heighten the productivity of the entire group/corporation. In this newly-established television and radio broadcasting group/corporation, the original external relationships that existed among independent media entities, including television stations, radio stations, cable television transmission networks, DBS companies, technology support companies, audiovisual publishing houses and other media firms will become new internal relationships. Under these circumstances, only a highly efficient interior management mechanism will guarantee that the new internal management costs will be less than the original external transaction costs. The productive enthusiasm of the staff will be pushed to the maximum, thus raising the productivity of the entire group/corporation to a higher level<sup>367</sup>.

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<sup>367</sup> In fact, an important reason for the failure of China's first television conglomeration practice from 1999 to 2004 was that this conglomeration practice only superficially united different television stations, radio stations and other broadcasting enterprises under a television and radio broadcasting group/corporation with a mutual name rather than essentially integrating them into a real television and radio broadcasting group/corporation with a highly efficient interior management mechanism. This form of television conglomeration could not help the original television stations, radio stations and other broadcasting

After establishing the new television and radio broadcasting group/corporation, the various interior resources of the group/corporation should be gathered together immediately. Any complicated internal relationships that pertain among subsidiary bodies including television stations, radio stations, cable television transmission networks, DBS companies, technology support departments/companies, interior advertising departments/companies and audiovisual publishing houses must be dealt with and clarified. The core productions, core bodies and core industries of the group/corporation should be given more resources for development. The diversity of television and radio programmes should be broadened as much as possible. In the case of subsidiary bodies in deficit, they must be either closed or sold. All of the aforesaid measures aim to fully exert the integrated superiority of the group/corporation via concentrating upon and optimising resources. This will enhance the group/corporation's overall competitiveness on the market.

The newly-established television and radio broadcasting group/corporation should integrate its affiliated transmission networks (mainly cable television transmission networks and DBS companies)<sup>368</sup> into one or several large nationwide (or region-wide) transmission networks or systems. This will extend the coverage area of the group/corporation's broadcasting to the maximum, effectively reducing the management of operational costs of the original individual transmission networks. I will further extend the advantages of economies of scale by virtue of an integrated transmission networks or systems, and ultimately enhance the comprehensive

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enterprises enhance their productivity involving economising external transaction costs and maximising the enthusiasm of their staff. Therefore, China's first television conglomeration practice was not viewed as a real and successful television conglomeration reform (Scholar D, personal communication, Jinan, 18 December 2006; Scholar H, personal communication, Beijing, 10 January 2007).

<sup>368</sup> Recommendations related to the integration of China's terrestrial, cable and satellite television transmission networks are provided in section 7.2.1 'furthering the marketisation of China's television industry' of this chapter.

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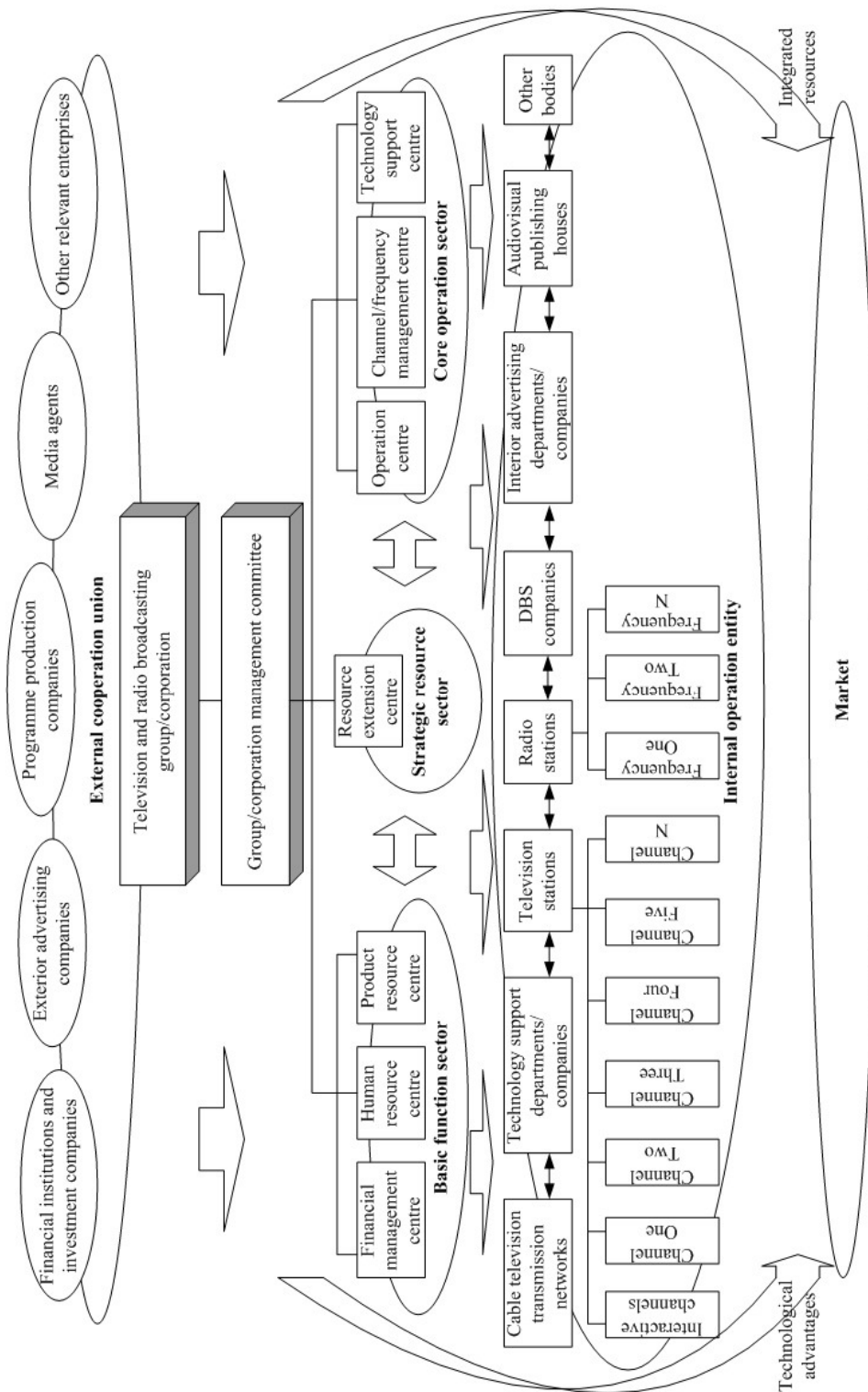
strength of the television and radio broadcasting group/corporation.

Based upon the above three detailed recommendations regarding conglomeration reform of the television industry in China, as well as on input from Huang, Zhou, Jin and Wang (2001), Scholar A (2007), Scholar C (2007), Official A (2007) and Media Practitioner B (2006), I present in Figure 7.5<sup>369</sup> below a design for the organisational structure of a television and radio broadcasting group/corporation in China.

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<sup>369</sup> Figure 7.5 is based on the modifying of Figure 13-1 in Huang, Zhou, Jin and Wang (2001, p.238), in-depth interviews with Scholar A (personal communication, Beijing, 11 January 2007), Scholar C (personal communication, Beijing, 12 January 2007), Official A (personal communication, Jinan, 26 January 2007), Media Practitioner B (personal communication, Jinan, 31 December 2006), and the aforesaid three detailed recommendations regarding conglomeration reform of the television industry in China.

Figure 7.5 The design of organisational structure of a television and radio broadcasting group/corporation in China



Summarised from: Huang, Zhou, Jin and Wang (2001, p.238);

Scholar A (personal communication, Beijing, 11 January 2007);

Scholar C (personal communication, Beijing, 12 January 2007);

Official A (personal communication, Jinan, 26 January 2007);

Media Practitioner B (personal communication, Jinan, 31 December 2006)

Figure 7.5 shows that a proposed television and radio broadcasting group/corporation generally comprises six primary sectors. (1) A *group/corporation management committee*, which can be described as the ‘brain’ of the group/corporation. The management committee

undertakes the function of formulating group/corporation regulations and rules, analyses all internal and external situations (including the development of both the group/corporation and its competitors as well as the entire political, economic and social situations of the country), makes the future development strategy and project of the group/corporation and coordinates the interior contradictions and relationships among various group/corporation's subsidiary bodies; (b) *The basic function sector*, which consists of a financial management centre, a human resource centre and a product resource centre. To minimise multifarious internal management costs and maximise the advantages of the group/corporation, the basic function sector is given the responsibility for integrating and allocating group/corporation's resources for financing, human and product; (c) *The core operation sector* includes an operation centre, a channel/frequency management centre and a technology support centre. The operation centre administrates all the businesses of the internal operation entity involving television stations, radio stations, cable television transmission networks, DBS companies, technology support departments/companies, interior advertising departments/companies and audiovisual publishing houses. The channel/frequency management centre assumes the responsibility for managing the operations of the television channels and radio frequencies. This includes two aspects: first, overseeing the actual operational works of the television channels and radio frequencies; second, grasping and confirming the orientations of the television and radio programmes. The primary responsibilities of the technology support centre will be to provide each subsidiary body with diverse technology support, to plan, arrange, maintain and update all of the technical equipment, and to propose the technological development programming or reform project of the group/corporation; (d) *A strategic resource sector*: its sole executive body is a resource extension centre, which plays the role of a 'bridge' or a 'channel'

connecting the external cooperation union and the internal operation entity. Its chief responsibilities will be to introduce exterior collaborators and to incorporate their ample capital, rich management experience and advanced technologies into the group/corporation as well as establish the optimal cooperative mode. Hence, a resource extension centre should have the ability to conduct market analysis, establish tight links with each sector and subsidiary body of the group/corporation and close relationships with external co-operators. However, a resource extension centre is essentially a communicator rather than a practical executor; (e) *An internal operation entity*, the main body of practical running of the group/corporation, basically comprises television stations – both producers and broadcasters of television programmes; radio stations – both producers and broadcasters of radio programmes; cable television transmission networks – the cable transmission platform of television and radio programmes; DBS companies – satellite television broadcasters and operators; technology support departments/companies – providers of technology support and maintenance as well as technological researchers; interior advertising departments/companies, responding to all of the advertising businesses of the group/corporation by cooperating with exterior advertising companies; audiovisual publishing houses – publishers and in-depth exploiters of group/corporation's video and audio productions. In accordance with specific contingencies and needs, different group/corporations will set up other bodies critical to internal operation; (f) *An external cooperation union* consists of financial institutions and investment companies, exterior advertising companies, programme production companies, media agents and other relevant enterprises. These institutions or firms are both the co-operators and competitors of the group/corporation. Their cooperative union works to enhance the overall strength of the group/corporation.



Taking all of the above into account, the aforesaid recommendations regarding the conglomeration reform of China's television industry and Figure 7.5 'the design of organisational structure of a television and radio broadcasting group/corporation in China' are in effect theoretical suggestions. Due to the diverse and complicated natures of the objective circumstances and factors, those recommendations and Figure 7.5 may be used as an academic reference. As well they can be adjusted and modified in terms of the actual situation during the process of practical operation.

To summarise, I will suggest that expatiation of the relevant theories/perspectives of television conglomeration, the prerequisites for conducting television conglomeration in China, and the detailed recommendations regarding conglomeration reform of the television industry in China, will ensure that conglomeration, the second step in the furthering of China's television industrialisation reform (succeeding the first step of 'furthering the marketisation'), will be the future development trend of China's television industry. However, the course of television conglomeration reform in China will hardly be plain sailing. It may be restricted by various forces, notably intervention by the government. Thus, the course of China's television conglomeration can also be perceived as a process of 'game playing' between the market and politics. If China's television conglomeration reform is led by the market, it will proceed relatively smoothly. However, it may prove daunting if political power occupies the dominant position during the process of reform<sup>370</sup>. Moreover, viewing and

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<sup>370</sup> Conglomeration reform (also the furthering of marketisation) of the television industry in China will be resisted by the very interests (e.g. the thousands of officials and bureaucrats that are now resisting DTV adoption (see section 6.4, Chapter Six)). The most effective approach to reducing such resistance during the process of conglomeration reform (and the furthering of marketisation) is to enhance the market's dominance and synchronously decrease intervention by the politically influential. Only by doing so will the way to the success of conglomeration reform (and the furthering of marketisation) of

examining this reform at a higher level, conglomeration as well as the newly-established television and radio broadcasting groups/corporations could be confronted with multiple challenges from international competitors in the present era of globalisation. Put this way, the third step in the furthering of China's television industrialisation reform – the internationalisation of China's television industry – seems not only vital but increasingly urgent. In the next section, I present recommendations and proposals concerning the internationalisation of China's television industry.

### **7.2.3 The Internationalisation of China's Television Industry**

After the thirty year period of reform, followed by the opening up, particularly the recent successful hosting of the 29<sup>th</sup> Olympic Games in Beijing, the word 'internationalisation' is no longer strange vis-a-vis China and the Chinese people. Nowadays, one is likely to meet foreigners in any city in China. Likewise, it is easy to meet Chinese in most cities around the world. So, what are the specific meanings of the term 'internationalisation' in this thesis and what does internationalisation imply in the case of China's television enterprises?

In this thesis, the term 'internationalisation' basically refers to interactive communication or exchange between nations; it contains three concrete ingredients: interactive communication or exchange between market-related productions, between personnel related to management and between regulations or rules related to administration (Lu, 2002). In this sense, irrespective of material or cultural trade, neither unidirectional imports nor unidirectional exports can be completely considered as 'internationalisation'. Likewise, a television

enterprise is non-internationalised if its employees and regulations (or rules) are all native. According to the above views, the term ‘internationalisation’ implies two meanings for China’s television enterprises; that is, ‘coming into’ and ‘going out’. ‘Coming into’ chiefly denotes (1) permitting foreign television firms or media groups/corporations’ entry into China’s television market, and (2) allowing them to compete with Chinese native television enterprises. ‘Going out’ mainly suggests encouraging Chinese native television enterprises to enter/access the international television market and compete with foreign television firms or media groups/corporations. The notions of ‘coming into’ and ‘going out’ are of equal importance in any Chinese television enterprise.

At present, the world economy is experiencing profound and overwhelming innovation due to economic globalisation, which has transformed rapidly the development process of human economic society. Within these circumstances, internationalisation has become the inevitable option and development trend for most television firms or media groups associated with China’s television enterprises. In the following section I examine two primary aspects of the internationalisation of China’s television industry (the third step in the furthering of China’s television industrialisation reform); i.e. ‘coming into’ and ‘going out’.

#### **7.2.3.1 The Internationalisation of China’s Television Industry – the ‘Coming into’**

Many scholars, when alluding to ‘internationalisation’ tend to connect it with ‘market opening’. In actual fact, these two notions are not contradictory: they have no essential differences. Both accept that an ideal internationalised market not only belongs to a certain country as well as to said country’s native enterprises but is also shared with various firms or

corporations from different nations under certain conditions. The regulations (or rules), administrative matters, operational concepts and organisational structures related to this market need access to international practices or standards. In this way, the internationalisation of China's television industry – or 'coming into' – will certainly open up China's television market to the world. This is not only an inevitable stage of the internationalisation process but also a precondition of China's television industry's 'going out' and becoming a towering entity on the international television market.

As I suggest in section 4.1, Chapter Four, to date, foreign capital is still forbidden from entering China's television and radio broadcasting arena. However, in fact, international media have already penetrated China's television market to some extent, albeit in disguised forms<sup>371</sup>. With the deepening of the reform of China's economy, financial systems and their opening up to the outside world, especially after furthering the marketisation and conglomeration of China's television industry (the first and second steps in the furthering of China's television industrialisation reform), the introduction of international media corporations or foreign television enterprise into China and the opening up of China's television market to the world will be realised sooner or later (although the timing for China is not ripe at present). Therefore, for foreign as well as Chinese television enterprises or media corporations it is not a case of *if* China's television market can be opened but *when* and to what degree this market can be opened.

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<sup>371</sup> According to Media Practitioner G (personal communication, Beijing, 15 January 2007), some foreign television enterprises (e.g. STAR TV owned by Rupert Murdoch's News Corporation) have broadcast their programmes over China's television stations using the name 'programme exchange'.

According to the recommendations offered in sections 7.2.1 and 7.2.2 of this chapter, the best time for China to open up its television market to the world and comprehensively implement the internationalisation of its television industry would be after the completion of the first and second steps of the furthering of China's television industrialisation reform. This is chiefly because at that time, China's television industry should have basically achieved its marketisation and conglomeration reform. Most of China's native television enterprises and media groups/corporations will by then be ready to confront both competition and challenge from international media firms or groups. But, compared with the large international media groups, the strength and scale of China's television enterprises or media groups/corporations will still be relatively weaker. For this reason, the Chinese government must enact certain regulations or rules to restrict the activities of the large international media groups and to some extent protect Chinese native television enterprises and media groups/corporation<sup>372</sup>. In this way, regulations or rules will directly decide to what degree China's television market can be opened. Based upon the relevant presentation of the development and actual situation of the television industry in China (see Chapter Four), as well as upon discussions of the problems currently extant in China's television industry (see Chapter Six), regulations or rules regarding the opening of China's television market may follow three fundamental principles. First, the 'market opening' must neither threaten the national security nor damage the national interest. Politically sensitive issues and news reports will of necessity be monitored and controlled. Second, the 'market opening' must reserve a certain survival space for Chinese native television enterprises. For example, foreign media enterprises will be requested to conditionally enter into some fields (such as the television programme production and the

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<sup>372</sup> According to Scholar A (personal communication, Beijing, 11 January 2007), in fact no country's television markets (e.g. the U.S. and the U.K.) are totally free and unlimitedly open to foreign media enterprises.

operation of television transmission networks) of China's television industry. Third, the 'market opening' needs to be in accord with the consumption demands, viewing habits and preferences of the Chinese audiences. This implies that the government should prohibit foreign media from broadcasting and supplying television programmes and services that are perceived to clash with Chinese cultural traditions and moral values.

To a great extent it will depend upon the Chinese government's attitude as to when China's television market will be opened and to what degree internationalisation of the country's television industry – the 'coming into' – can proceed. It is already too late for Chinese native television enterprises to prepare to meet the severe competitions and challenges they will face from foreign television firms or corporations due to the time the Chinese government has taken in deciding to open up the Chinese television market to the world and to allow international media enterprises to participate in China's television industry. This is why I recommend in sections 7.2.1 and 7.2.2 of this chapter that China's television institutions or corporations must enhance their strength and enlarge their scale by furthering marketisation and conglomeration reform (i.e. the first and second steps of the furthering of China's television industrialisation reform) before embarking upon the internationalisation of China's television industry.

### **7.2.3.2 The Internationalisation of China's Television Industry – the 'Going out'**

According to Mosco (1996), "the political economy of communication has specifically addressed spatialization chiefly in terms of *the institutional extension of corporate power in the communication industry*. This is manifested in the sheer growth in the size of media firms,

measured by assets, revenues, profit, employees, and share value” (p.175, original emphasis). Traditional political economists examine “the major different types of concentration according to their horizontal and vertical forms” (p.175). In this sense, horizontal and vertical integrations represent the important approaches that media firms have employed to achieve concentration of various resources (financing, human and product) and self-extension of scale and scope. This has directly led to the coming of the ‘behemoth age’, that is, the frequent emergence of huge multinational media groups or corporations. Huge multinationals horizontally integrate the businesses of multiform media products or services including television, radio, movie, music, newspaper, magazine, PC and Internet games and advertising, and vertically integrate the entire operational process of media products or services including financing, production, publication and broadcast. In the present globalisation era, breaking through geographical confines, going out into the world and exploring and opening up international markets are among the goals of the aforesaid huge multinational media groups or corporations. For example, in 1998, 17 per cent of the total profit of The Walt Disney Company accrued from international markets outside the U.S. Also in 1998, ESPN profits increased 20 per cent due to its exploitation of the overseas market. By 2001, News Corporation, one of the world’s largest media conglomerate companies, had either established or acquired more than eight hundred media firms in over 70 countries around the world in terms of radio, television, film, newspapers, magazines, publications and Internet services. Its net assets have exceeded 40 billion U.S. dollars (Zhang and Xie, 2005).

Taking all of this into account, the internationalisation of China’s television industry – the ‘going out’ – could prove overwhelming when one considers the opportunities and challenges

the Chinese native television enterprises and media groups may encounter. The opportunity contains two factors. On the one hand, ‘going out’ offers China’s television enterprises and media groups a ‘golden’ opportunity to enter into the international television market, to learn advanced management techniques and operational patterns from western media firms. On the other hand, ‘going out’ will provide the world with a glimpse of Chinese diverse culture and values; as well, it will allow the world to know today’s China through exposure to television programmes broadcast by international channels operated by China’s television enterprises<sup>373</sup>.

As far as challenges are concerned, this includes two aspects. First, given the fact that the business scope of most of China’s television enterprises and media groups is limited to China in the long term, the Chinese seriously lack both consciousness and experience of internationalisation. This will put them at a disadvantage vis-a-vis anticipated fierce competition with foreign media firms on the international television market. In order to meet this ‘head on’, Chinese native television enterprises and media groups must make adequate preparations before deciding upon ‘going out’. Second, the two most valuable and influential television markets in the world today – the European and North American television markets – have been fully developed and carved up by the huge multinational media groups or corporations. There is little room left on the international television market to accommodate China. Therefore, it is better for China’s television enterprises and media groups to adopt a ‘gradual’ approach, i.e. to advance towards their goals in gradual stages<sup>374</sup>.

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<sup>373</sup> At present, some of CCTV’s international channels including CCTV-4 International (in Chinese), CCTV-9 International (in English), CCTV-E (in Spanish) and CCTV-F (in French) are actually doing the work of showing Chinese culture and values and today’s China to the world. However, compared with some famous international television channels (e.g. BBC World News), the popularity and influence of these CCTV channels are still relatively weak.

<sup>374</sup> For example, the Asian television market can be viewed as the first step or goal of the internationalisation of China’s television industry – of ‘going out’. Then, the goals can move to the European and North American television markets.



In sum, in the present globalisation era, internationalisation will afford China's television industry both opportunities and challenges. How and to what extent has China's permitting of foreign television firms or media groups/corporations' 'coming into' China's television market and Chinese native television enterprises' 'going out' into the international television market become chief consideration of the internationalisation of China's television industry. Irrespective of how and to what degree internationalisation proceeds in China's television industry, China's television enterprises must enhance their strength and enlarge their scale by furthering marketisation and conglomeration reform (i.e. the first and second steps in the furthering of China's television industrialisation reform) before the internationalisation of China's television industry becomes reality. When Chinese native television enterprises and media groups/corporations are ready to face internationalisation, and can unflinchingly stand tall on the international television market stage in competition with the world's most powerful multinational media groups, only then will China's television industrialisation reform be regarded as totally successful.

#### **7.2.4 Recommendations for the Future Development of China's Digital Television Industry**

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. Thus, the recommendations provided in sections 7.2.1, 7.2.2 and 7.2.3 of this chapter, including the furthering of marketisation, conglomeration and internationalisation (i.e. the three steps in the furthering of China's television industrialisation reform) are appropriate for the future development of China's digital television (DTV)

industry. China's DTV industry has experienced manifold problems during its process of development (e.g. impediments in the process of digitalisation of China's television transmission networks, the relatively expensive cost of set-top boxes, and the 'no paying' approach exercised by the majority of Chinese television audiences)<sup>375</sup>. In an attempt to solve these problems, this section offers recommendations and proposals for the future development of China's DTV industry. In fact, these recommendations and proposals provide not only solutions to the above problems: they also attempt to explore the use of DTV to further China's television industrialisation reform. This section contains four parts: proposals addressing the primary factors that influence the development of China's DTV, recommendations for the overall development of DTV industry in China, recommendations related to the content of China's DTV, and proposals concerning the characteristics of Chinese television audiences.

#### **7.2.4.1 Primary Factors Influencing the Development of China's DTV**

The development of China's DTV has been influenced by three primary factors including: the internal factor of China's television industry, the external factor of China's television industry inside China, and the external factor of China's television industry outside of China. Among these three primary factors, the internal factor of China's television industry, e.g. the intervention of various political interest groups in the television industry and the 'official oriented' tradition of Chinese officialdom are the most influential of the forces that direct the development of the DTV industry in China. By contrast, the influence of digital technology is much weaker. Many of the Chinese government's policies regarding DTV development (e.g.

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<sup>375</sup> A detailed discussion related to the problems extant in the process of digital television development in China appears in section 6.4, Chapter Six.

the timeline for comprehensive promotion and generalisation of digital cable television in China and the ‘three-step strategy’ for China’s DTV development approved by the SARFT<sup>376</sup>) have proved inconsistent with China’s national conditions. This was an important reason why government policies have met with strong resistance and ultimately failed during the process of implementation (also see section 6.4, Chapter Six).

Due to the immaturity and non-completion of the marketisation, the intervention of political interest groups and the ‘official oriented’ tradition not only exist in the field of DTV but also impact on China’s entire television industry. The facts have shown that comprehensive promotion and generalisation of DTV in China cannot be accomplished if it is solely dependent upon government administrative orders<sup>377</sup>. In order to successfully develop the DTV industry in China, one vital approach would be to further the marketisation of China’s television industry<sup>378</sup>. Only when the marketisation of China’s television industry has been completed will comprehensive promotion and generalisation of DTV in China be realised. Only then will the development of China’s DTV industry, when it is mainly driven by the market force, experience success.

#### **7.2.4.2 Recommendations for the Overall Development of DTV Industry in China**

As with China’s television broadcasting institutions in the present OOTOP system, the three primary television transmission networks – terrestrial, cable and satellite – on China’s

<sup>376</sup> Detailed content of the timeline for the comprehensive promotion and generalisation of digital cable television (DCT) in China and the ‘three-step strategy’ for China’s DTV development approved by the SARFT appears in section 4.2, Chapter Four.

<sup>377</sup> An overview of the development and actual situation of digital television in China has been detailed in section 4.2, Chapter Four.

<sup>378</sup> The relevant recommendations for furthering the marketisation of China’s television industry have been provided in section 7.2.1 of this chapter.

broadcasting market – are also state-owned and affiliated with diverse television broadcasting institutions. This fact has directly exacerbated the many problems that plague the broadcasting market of China's television market chain, such as the discontinuation of the development of terrestrial television, minimal cooperation, lack of 'economies of scale' and waste of social resources of cable television, and the serious frustrations and difficulties associated with the promotion of DBS (see section 6.3.2.4, Chapter Six). The relevant recommendations on how to solve these problems have been offered in section 7.2.1 of this chapter. The following section will now provide recommendations for the overall development of DTV industry in China, including digital cable television (DCT), and direct broadcast satellite (DBS) and digital terrestrial television (DTT) based on China's specific national conditions.

*(1) Recommendations for the Development of China's Digital Cable Television (DCT)*

According to the country's national conditions, the promotion and generalisation of DCT in China should adopt an 'urban prior development' strategy. This is chiefly because the coverage rate of cable television transmission networks in Chinese urban areas is much higher than that of the rural and remote mountainous areas of China. Digitalising the existing analog cable television transmission networks rather than building new digital cable television transmission networks while developing DCT in Chinese urban areas may save a great deal of money in the establishment of transmission networks. In contrast, building large numbers of new digital cable television transmission networks is the prerequisite for developing DCT in the rural and remote mountainous areas of China. But the need for massive funding undoubtedly represents an enormous obstacle for China's DTV industry. In addition, the living standards, education levels and television viewing demands of people living in China's

rural and remote mountainous areas are much lower than those of residents living in China's urban areas. This will seriously impede any attempt to promote and generalise DCT and to charge DCT subscriptions in Chinese rural and remote mountainous areas<sup>379</sup>.

Under these circumstances, it seems reasonable that China's urban areas be given priority to develop DCT. According to my analysis of the development and actual situation of DTV in China (see Chapter Four) and the relevant discussion of the problems extant in the process of China's DTV development (see Chapter Six), the 'urban prior development' strategy of China's DCT should primarily emphasise three factors: (a) The sale of set-top boxes (STB). Because the majority of Chinese audiences would prefer to view analog television rather than buy STBs, the sale of STBs has become a bottleneck that impedes any further increase in numbers of DCT users (see section 6.4, Chapter Six). Thus, how to break this bottleneck is the key to promoting DCT in China. Actually, the breaking of this bottleneck could use the 'Qingdao pattern' as reference, i.e. provide free STBs to DCT users<sup>380</sup>. DCT users may be given a free STB after signing a twelve or eighteen month subscription contract with a DCT broadcaster. The cost of the STB will be borne by the DCT broadcasters with appropriate subsidies from the government; (b) The second is the integration of DCT transmission networks, which to date has been impeded by lack of capital and strong resistance from local governments (mainly prefecture/city or county governments). The relevant solutions to this issue have been recommended in section 7.2.1 of this chapter and will not be repeated again. What I want to emphasise is that only the DCT transmission networks should be integrated;

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<sup>379</sup> An overview of the development and actual situation of DTV in China has been detailed in section 4.2, Chapter Four. Relevant discussions of the problems extant in the process of digital television development in China appear in section 6.4, Chapter Six.

<sup>380</sup> The content of the 'Qingdao pattern' has been detailed in section 4.2, Chapter Four.

the benefits of ‘economies of scale’ of a unified cable television network can then be given full play and the development of DCT in China may prove successful; (c) The third is the DCT subscription charge, which is an ongoing difficulty plaguing China’s DCT (and also DBS). As I discuss in section 6.4, Chapter Six, the majority of Chinese television audiences has basically adopted a ‘no paying’ approach to consuming television. In other words, everyday Chinese people have become accustomed to either watching free television or paying a minimal fee<sup>381</sup>. In order to have a DCT subscription charge widely accepted by most Chinese audiences, two important measures need to be implemented: one is to further enhance the quality of DCT programmes, thereby persuading audiences that it is in their interests to pay a subscription to watch DCT; the other is to keep the price of the DCT subscription as low as possible, thus minimising the difference between DCT subscriptions and ACT (analog cable television) charges. In fact, the DCT subscription charge can use the ‘Hangzhou pattern’ as reference. This pattern advocates that DCT subscriptions be kept at the same price as ACT charges. Furthermore, DCT broadcasters provide genuine interactive features and video on demand (VOD) services. Users are required to pay extra for this service, providing DCT broadcasters with a new income source apart from that accrued from the original commercial advertising and subscriptions<sup>382</sup>.

After DCT has been promoted and generalised in China’s urban areas, the next phase of the development of DCT can move to China’s rural and remote mountainous areas. However, there are two necessary preconditions: (a) the living standards, education levels and television

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<sup>381</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 either as cable television network rent or as a maintenance fee rather than a subscription.

<sup>382</sup> Detailed content of the ‘Hangzhou pattern’ appears in section 4.2, Chapter Four.

viewing demands of people living in China's rural and remote areas must first undergo marked improvement and change, and (b) Chinese private and foreign capital will have gained entry into China's DCT industry. With these two preconditions in place, comprehensive generalisation of DCT in China would soonafter eventuate.

*(2) Recommendations for the Development of China's Direct Broadcast Satellite (DBS)*

Building upon my earlier account of the 'overview of development and the actual situation of digital television in China' in section 4.2.2.3, Chapter Four, in this section I address the development of DTV in China, emphasis of which is solely on DCT. This has resulted in DBS (and DTT) lagging far behind DCT. When the promotion and generalisation project of DBS began in China, DCT must have already had large numbers of users and occupied absolute audience market shares, at least in China's urban areas. Consequently, the development of DBS in China may have preferentially aimed at (a) the relatively few rich people domiciled in the country's rural and remote mountainous areas, and (b) at the small number of urban residents who could not receive DCT or who expressed extra television viewing demands. After DBS is successfully accepted by these people, the power of the DBS industry will be strengthened and DBS companies will gain the necessary experience. At that time, emphasis on the development of DBS may focus on any group of people in China, in competition with the DCT industry. Notwithstanding, the development of DBS in China has to overcome the three primary difficulties listed below.

(a) The first is the government's restrictions on direct-to-home (DTH)<sup>383</sup>. As satellite transmission goes beyond the national boundaries, China's rulers do not want the public to watch foreign channels or programmes broadcast by foreign satellite transmission networks (or DBS). They fear that foreign influences will 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 DTH satellite television services are not available to common Chinese families. However, in fact, many Chinese audiences continue to watch DBS channels illegally, courtesy of the country's many illegal satellite receiver retailers. In order to solve this problem, the Chinese government has to start to contemplate the promotion of DBS, the supply of DTH services and the establishment of legal (or official) DBS companies. This may effectively encourage Chinese audiences to watch satellite television and listen to radio channels that have governmental approval<sup>384</sup> (also see Chapter Six).

(b) The second is the difficulty associated with DBS technology, which although having become increasingly perfected worldwide, still has problems with development in China, e.g. the circumstances surrounding the failure of China's first home-made communications and broadcast satellite Sinosat-2<sup>385</sup>. Despite this, concomitant with the rapid development of

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<sup>383</sup> The relevant explanation of direct-to-home (DTH) appears in Chapters Five and Six.

<sup>384</sup> As I have recommended in section 7.2.1 of this chapter, the establishment of China's DBS companies and transmission networks can use the development of the DBS in the U.S. as reference; that is, to actively encourage and promote China's commercial DBS services. In other words, the DBS companies and transmission networks in China should be established under the drive of market forces rather than as a response to the administrative orders or regulations of government. The government should simply play the role of guide. This is coincident with the design of the DOTOP system: in the proposed DOTOP system, China will have two nationwide commercial DBS companies in the form of the U.S.'s DirecTV and EchoStar. The operational pattern of these DBS companies and their transmission networks will be completely commercial. Each DBS company may incorporate thousands of local distributors or retailers and own millions of subscribers. Every DBS subscriber will be given real DTH satellite service. In this way, most DBS services in China will be concentrated in a small number of powerful DBS companies as a result of fierce market competition. This concentration of DBS services will not only boost the overall strength of China's DBS industry but also effectively decimate the survival rate of the current illegal satellite receiver retailers in China, forcing them to quit China's satellite television market. Moreover, from another perspective, this form of concentration allows the government to regulate and administrate DBS companies and the whole of China's satellite television transmission networks.

<sup>385</sup> The relevant content addressing China's first home-made communications and broadcast satellite Sinosat-2 has been detailed in section 4.2, Chapter Four.



satellite technology, the above technological difficulty will not be seen as likely to impede the development of China's DBS in the future. China's new home-made communications and broadcast satellites (e.g. Sinosat-3, Sinosat-4 and Sinosat-X) have been scheduled for launching.

(c) The third difficulty is the DBS subscription charge and the STB charge. As with DCT, these charges add to the difficulties plaguing China's DBS. On the one hand, the two important measures implemented in China's DCT industry can likewise be adopted during the process of DBS promotion in China. First is to further enhance the quality of DBS programmes, thereby convincing audiences that it is worthwhile paying a subscription to watch DBS. The second is to keep the price of the DBS subscription as low as possible, thus minimising the difference between DBS subscriptions and ACT charges<sup>386</sup>. On the other hand, the STB charge can also use the 'Qingdao pattern' as reference, i.e. DBS users may be given free STBs (including an STB and a dish antenna) after signing a twelve or eighteen month subscription contract with a DBS company. The cost of STB would be paid by DBS companies with appropriate subsidies from the government<sup>387</sup>.

### *(3) Recommendations for the Development of China's Digital Terrestrial Television (DTT)*

As I recommend in section 7.2.1 of this chapter, in the proposed DOTOP system, China's terrestrial television enterprises (mainly the terrestrial retransmit television stations or networks) will maintain the original state ownership for achieving the high terrestrial signal

<sup>386</sup> The DBS subscription charge can also use the 'Hangzhou pattern' as reference, i.e. DBS subscriptions keep at the same price as ACT charges. Furthermore, DBS companies provide the genuine interactive features and video on demand (VOD) services. Users are required to pay extra for this service, providing DBS companies with a new income source apart from the original commercial advertising and subscription. The detailed content of 'Hangzhou pattern' appears in section 4.2 of Chapter Four.

<sup>387</sup> The content of the 'Qingdao pattern' has been detailed in section 4.2, Chapter Four.

covering the rate of CNTV and provincial state-owned television stations in China, guaranteeing the Party's and the government's capacity to disseminate political (or ideological) communication (e.g. propaganda). In this sense, the future development of DTT in China can be basically viewed as the digitalisation of China's existing terrestrial retransmit television stations or networks; this can be mainly funded by the government, and should not prove a burden when one considers the volume of its fiscal revenue today. The updated DTT transmission networks will cover almost all of China's populations as well as supply free DTT services. Thus, in the future China's DTT will be non-profit<sup>388</sup> – making, a form of social benefit for Chinese audiences. The purpose of the development of DTT in China is to meet the most fundamental demands of the Chinese people through DTV.

In short, irrespective of whether it is DCT, DBS or DTT, no one of them can solely represent the comprehensive promotion and generalisation of DTV in China. The future development of China's DTV must avoid the very pitfalls it earlier encountered (i.e. imbalanced development of DCT, DBS and DTT) and should equilibrate the development of DCT, DBS and DTT in terms of their specific features and capacities. Only then will the government's expectation of comprehensive promotion and generalisation of DTV in China be realised.

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<sup>388</sup> The income of China's DTT enterprises in the DOTOP system will come mainly from non-commercial sources (e.g. government allocations or subsidies, public funding and individual or group donations). This has three distinct advantages: first, it can minimise the influences of commercial interest groups on state-owned DTT enterprises, thereby ensuring relative independence and objectivity while producing television programmes; second, some state-owned DTT enterprises will not broadcast commercial advertising. This may avoid competition intensification on the commercial television advertising market to some extent and leave more advertising profit for commercial television enterprises. Last, as I have mentioned previously, China's cable television systems as well as DBS providers (irrespective of whether state-owned or private) in the future DOTOP system must unconditionally retransmit nationwide coverage channels and optionally retransmit provincial coverage channels of state-owned television stations. Thus, if state-owned DTT enterprises do not refer to businesses in commercial areas (e.g. no broadcast of commercial advertising), resistance from commercial television enterprises (e.g. private cable television systems and DBS providers) stemming from retransmitting state-owned DTT enterprises' channels will be minimised.

### **7.2.4.3 Recommendations Related to the Content of China's DTV**

The serious shortage of high quality DTV programmes due to a lack of programme production capability (including a dearth of money, professionals and innovations) has constantly impeded the development of China's DTV industry. It will be impossible to attract sufficient audiences and to have them pay for television services if China's DTV cannot provide enough high quality programmes. It is, in effect, a case of whether the promotion and generalisation of DTV in China can succeed or not (also see section 6.4, Chapter Six). The relevant recommendations vis-a-vis the above issues have been provided in section 7.2.1.3 of this chapter where I discuss the 'separation of production and broadcast' (SPB) operation pattern of China's television production market. In the following section I offer two additional recommendations related to the content of China's DTV in terms of the specific situation of the DTV industry in China.

The first is to maximise as much as possible DTV production output (mainly DTV programmes) with the promise of guaranteed high quality. On the one hand, the SPB operation pattern of China's television production market is absolutely necessary: this may effectively stimulate television production institutions or firms producing high quality DTV productions under the guidance and drive of the market (see section 7.2.1.3 of this chapter). On the other hand, the government should enact certain regulations and policies to protect the legitimate rights of television production institutions or firms during trading with DTV broadcasters. As well, it should encourage them to actively participate in the making of high quality DTV productions.

The second takes into account the control (or reduction) of unnecessary DTV channels during the promotion and generalisation of DTV in China. As I state in section 4.2, Chapter Four, by the end of 2005 the SARFT had approved 113 DCT channels, 95 of which have formally broadcast (Dong, 2006). The statistics compiled in 2005, however, only address DCT. The number of DTV channels involving DCT, DBS and DTT will be in excess of 113 and may be in the hundreds or even thousands when DTV is eventually comprehensively promoted and generalised in China. Due to the fact that most DTV channels broadcast 24 hours per day, it may be predicted that the demand for DTV programmes, series or other productions will be huge. Therefore, under the present circumstances, i.e. that the increase in DTV production output can neither reach nor exceed the rise in demand for DTV productions, to ensure the high quality of DTV productions the number of DTV channels must be regulated (i.e. eliminating unnecessary channels) thereby decreasing the DTV broadcasters' needs for high quality programmes, series or other productions.

Actually, the process of DTV development can be seen as a process in which DTV scrambles to wrest audiences from the hands of traditional analog television (ATV) by offering relatively richer DTV content, a wider range of services and superior audiovisual quality. In this sense, the advantage of better programme content, television services and audiovisual quality may be seen as DTV's 'magic weapon' for victory on China's television market.

#### **7.2.4.4 Proposals Concerning the Characteristics of Chinese Television Audiences**

One of the obvious differences between China's DTV and ATV is that the former has an additional income source ('subscription') while the survival of the latter still basically

depends on revenues from commercial advertising. Given this, the characteristics of Chinese television audiences are quite important when it comes to the development of the DTV industry in China. Audience approach may to a great extent affect the income accrued by DTV. Compared with western television audiences, the consumption habits and demands of Chinese television audiences are somewhat complacent. Most adopt a 'no paying' approach to watching television, an attitude which has seriously impacted the development of DTV in China<sup>389</sup>.

In line with these circumstances, I provide the following two recommendations concerning the future promotion and generalisation of China's DTV (notably DCT and DBS): (a) DTV promotion and generalisation should first aim at areas where the living standards are relatively high. This is chiefly because people living in these areas will have relatively higher consumption ability and demands: as well, it will be easier for them to accept the notion of pay-TV; (b) In the less developed areas, the promotion and generalisation of DTV needs long term planning. On the one hand, the government has the responsibility of developing the economy in these poor areas, and to gradually cultivate and improve the consumption ability and demands of television audiences in remote areas. On the other hand, DTV broadcasters need to reduce the subscription charge as well as offer free installation and equipment (e.g. STBs) jointly with the government.

From all accounts, based on the above recommendations and proposals (including proposals addressing the primary factors influencing the development of China's DTV,

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<sup>389</sup> Detailed discussions of the consumption ability, demands and viewing habits of Chinese television audiences appear in section 6.4, Chapter Six.

recommendations for the overall development of DTV industry in China, recommendations related to the content of China's DTV, and proposals concerning the characteristics of Chinese television audiences), it may be assumed that the development of DTV in China will proceed within a framework of Chinese politics, economy and society. DTV is not only a component and requirement of television industrialisation in China: it is also an attempt to explore the use of it to further China's television industrialisation reform. In addition, as an important 'strategic technology' in the present digital era, DTV will play an increasingly significant role during the development of China's (as well as the world's) television industries.

## **Conclusion**

The final chapter of this thesis has comprehensively detailed the conclusions of this PhD study; as well, it offers recommendations for the further industrialisation reform and development of China's television industry. Due to the reasons behind the problems that persist in the various areas of China's television industry being complicated – to say the very least – the recommendations in this chapter not only propose solutions to these problems but also a comprehensive reform project and development strategy for China's television industry in conformity with the country's national conditions. As China's fundamental 'one-party dictatorship socialist system (ODSS) guarantees the CPC's ruling status in China, it may be predicted that ODSS will not undergo any essential change, at least not in the immediate future. Under these circumstances, the reform and development of China's television industry in the future must proceed within the existing ODSS. Thus, the recommendations provided in this chapter can be considered as 'the proposed reform strategies and the development prospects of China's television industry; the furthering of television industrialisation reform'

within the framework of China's current ODSS political system. This program of reform consists of three steps: furthering the marketisation of both system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry; conglomeration reform of the television industry in China; and the internationalisation of China's television industry. In general, the above three steps have a pre and post order; that is, the former is the basis of the latter. For example, the second step 'conglomeration' and the third step 'internationalisation' of China's television industry should proceed after the completion of the first step which is the 'furthering of television marketisation reform' when certain necessary conditions have been met. However, this principle is not absolute. In fact, the later steps may commence when the essential conditions have been met (certain key policies have been issued or the market has matured) even if the earlier steps are not fully completed. In this way, these three steps may overlap to some extent although their commencement may be not simultaneous. This chapter further provides recommendations and proposals for the future development of DTV industry in China, not only the solutions to the specific problems that persist in China's DTV industry but also about attempts to explore using DTV to further China's television industrialisation reform.

Finally, an important point needs to be made. Because 'the proposed reform strategies and the development prospects of China's television industry – the furthering of television industrialisation reform' have to proceed within the framework of China's ODSS political system, it may prove too difficult in the furthering of television industrialisation reform to thoroughly eradicate all of the problems that persist in China's television industry although it may to a great extent minimise the hindrances that retard the further development of the

industry. This can be likened to doctors using only anticancer drugs to treat their cancer patients and not providing them with the essential operation therapies; while they cannot completely cure their cancer patients they may alleviate their suffering to some degree and (hopefully) prolong their lives. One day, the cancer patients will depart this life without having their tumour resections completed in time. If the root causes of the various problems that persist in China's television industry, i.e. China's fundamental political system (a 'One-party Dictatorship Socialist System') (ODSS) cannot be radically reformed, any problem solving, reform strategies and development projects proceeding within the existing ODSS can only prove ineffective: they cannot be effectively implemented until the essential problems that persist in the television industry of this country are totally eradicated. Therefore, it is only by radically changing China's ODSS political system that the ongoing problems that retard the progress of China's television industry and the various domains of politics, economy, society and culture in China can be totally alleviated<sup>390</sup>.

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<sup>390</sup> As the reform of China's political system is not the concern of this PhD study, this issue has not been widely analysed and discussed in the thesis. Nevertheless, the reformation of the political system in China may be a good option for further research.