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**Public Service Broadcasting In The Market Place  
: The BBC And KBS In The 1990s**

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**May 2005**

**Public Service Broadcasting In The Market Place  
: The BBC And KBS In The 1990s**

by  
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**Submitted for the Degree of  
Doctor of Philosophy**

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**May 2005**

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## **Abstract**

With the advent of digital era, the broadcasting landscape is radically changing. Technological development, deregulation and globalisation, as well as changes in social structure and lifestyles combine to shift the established broadcasting paradigm. In the broadband communications environment, bandwidth scarcity, the basis of public service broadcasting, is relieved and thus hundreds of channels are available. Audiences, once united in their loyalty to public service channels, are now fragmented. In these circumstances, public service broadcasting, which has been regarded as indispensable, is losing its rationale. Public service broadcasters, irrespective of region and country, are forced to battle for viewers and funding, to redraw their mission and range of activities, and to reshape themselves for the digital world.

This study explores how the public service broadcasters (the BBC and KBS) of Britain and Korea have been restructuring themselves to adapt to the changing broadcasting environment. It also traces how the concept of public service broadcasting has evolved in Britain and examines the development of Korean broadcasting, proposing that the distorted operation of Korean public service broadcasting directly resulted from that country's history. Finally, it analyses the reasons why broadcasting in Korea has never been operated on principles of public service despite its proclaimed 'public service system' and explores how to secure the public-ness and public interest of Korean public service broadcasting in the future.

For this study in-company research at the BBC and KBS was conducted between 1998 and 2003, along with a literature review. During this period over forty senior staff members were also interviewed, representative of both broadcasters.

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## Abbreviations

BBC	British Broadcasting Corporation
BBS	Buddhist Broadcasting System
KBC	Korean Broadcasting Commission
KBS	Korean Broadcasting System
MBC	Munwha Broadcasting Company
PBS	Pyungwha Broadcasting System
Pusan MBC	Pusan Munwha Broadcasting Station, Inc.
RSB	Radio Seoul
SBS	Seoul Broadcasting System
TBC	Tong-Yang Television Company
TBS	Traffic Broadcasting System

## Chapter I. Introduction

### 1.1 Introduction

Broadcasting is undergoing a radical though discontinuous change. Technological developments have lowered entry barriers in broadcasting and increased the number of satellite and cable channels, opened up areas formerly monopolistic for some global broadcasters, and have thereby fragmented broadcasting markets. The one-to-many, centre to periphery broadcast model is becoming a less hierarchical, many-to-many model. Broadcast processes, which have been vertically integrated, are being separated into discrete segments.

Under these circumstances, public service broadcasting is being challenged across the world. The idea that public service broadcasting is public property and that publicly funded television should provide specific types of programmes in the public interest (e.g. informative and educational programmes, high quality drama and coverage of national events) becomes less definite as digital technologies overcome the previous scarcity of broadcasting bands and competition becomes the norm. The status of the public service broadcaster as a dominant national supplier of broadcasting is undermined. There seems to be no proper role for public television, as described in the British government's Green Paper, if public television were 'to concentrate on the types of programmes which would not be provided by commercial broadcasters.'<sup>1</sup> This is because commercial television, including cable and satellite television, offers an extensive variety of programmes and a wide range of niche channels. The rationale for public funding is being eroded and broadcasting is no longer regarded as the classic example of a public good.

Has public service broadcasting a place in the digital age? The claim for the continuation of

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<sup>1</sup> Department of National Heritage, *The Future of the BBC: A Consultation Document* (Green Paper) (Cm 2098) (London: HMSO, 1992), p.15.

public service broadcasting in the digital age is based on the assumption that technological advancement does not always bring a fair distribution of information. For a democratic society and the formation of healthy public opinion, fair and accurate information should be provided. Thus independent public service broadcasting is necessary. Garnham places emphasis on the necessity of public service broadcasting by using Habermas's Public Sphere theory.<sup>2</sup> The public sphere is a physical and symbolic space where public opinion is formed as a basic mechanism of bestowing legitimacy to a political system. Here public opinion is the rational public's discussion, differing from the aggregation of individual opinions. Garnham argues that public service broadcasting should serve to promote rational communication among the people by ensuring that the information supplied is not distorted and that the people have equal access to the sources of information. Within this context, he suggests that we should re-evaluate the public service mode of public communication and defend it and build upon the potential of its rational core in the face of the existing and growing threats to its continued existence. He is concerned that changes in public communication engendered by the strengthening of the market system and the increase in the individual's consumption of broadcasting have a negative influence on democracy and lead to information inequality among the population. This view of information disparity can be found in Birt's argument.<sup>3</sup> He points out that digital services such as niche channels and interactive online services can give wealthy people more choices for information and entertainment but alienate poor people more so than before. He argues that the role of public service broadcasting should not be diminished and that the government should regulate commercial capital appropriately lest commercial broadcasters monopolise information gateways. He asserts also that in the digital age, when information and knowledge substitute for capital, the integrity of a society can be endangered if 'access' to information is not distributed equitably.

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<sup>2</sup> Nicholas Garnham, 'The Media and the Public Sphere', Peter Golding et al.(ed), *Communicating Politics: Mass Communications and the Political Process* (Leicester: Leicester University Press, 1986) pp.37-53.

<sup>3</sup> John Birt, 'The Prize and the Price -The Social, Political and Cultural Consequences of the

Though the degree and extent of difficulties faced by public service broadcasters differs from country to country, the essence of their challenges remains consistent: fierce competition with commercial broadcasters and unfavourable finance conditions. In the 1990s, public service broadcasters were under pressure to reduce costs, but faced criticism on quality. The British Broadcasting Corporation (BBC) and the Korean Broadcasting System (KBS), both public service broadcasters, had been forced to adapt. The British government had incessantly attacked the finances and management of the BBC since the 1980s. The Corporation's licence fee had not increased in the three years proceeding March 1988 and was merely pegged to inflation in 1988/89 and 1990/91. In 1990, the government decided that independent producers should provide 25% of the BBC's television output. In its preparation of its Charter renewal, the BBC was required to demonstrate good management with efficiently distributed resources. Through the 'Producer Choice' initiative, the BBC restructured, becoming more commercial in orientation and causing competitors such as ITV and BSkyB to complain about the BBC's forays into the commercial sphere. KBS underwent a similar process throughout the 1990s. It was criticised as a 'hotbed of inefficiency'. Funded partly by the licence fee, which has not increased in over twenty years, and partly by advertising, KBS has been under financial pressure and thus introduced the 'CP (Chief Producer) system', similar to the BBC's Producer Choice system, to be cost-effective. It has waged the ratings war to secure the funds for its existence. It now steps up capitalising on its programme content and is being criticised for its commercial business as the BBC has been.

It may seem strange to be dealing with the cases of the BBC and KBS in one study as both exhibit very different characteristics. In fact, both have a very different historical background, a different range of accomplishment, and have gained different levels of their people's trust. They share only one common characteristic; that is, they are both public service broadcasters. But those differences are the matters of interest in this study. This study focuses on the very difference in history, culture and value orientation. In Korea as

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Digital Age', *The New Statesman Media Lecture*, 6 July 1999.

elsewhere, the BBC is renowned for its public service ideals and is recognised as a producer of quality programming and for its impartial news coverage. The cases of BBC are referred to when the Korean government frames broadcasting policy and individual broadcasters set up their own strategies in Korea. BBC's programming is mentioned as an example whenever the charge is laid against Korean broadcasting such as its ratings orientation, sensationalism, and political bias. As far as KBS is concerned, the BBC is a model to follow. From the late 1990s, KBS has tried actively to take after the BBC. Park Kwonsang, the President of KBS (1998-2002), declared in his inauguration address that KBS should be like the BBC which is trusted by the people and which acts as the quality setter. KBS started to introduce many of BBC's strategies. It ran a 'Promise To The Viewers' campaign following 'The BBC Statement of Promises to Viewers and Listeners', and implemented an ERP system named as 'DCS project' following the BBC's 'Apollo project'. The matrix of the diversification strategy of KBS was also that of the BBC. Staff members from KBS departments planning new projects were sent to the BBC departments concerned. But BBC models were not successful at KBS. It was because only the BBC's outward systems were transplanted without consideration of inward differences in its history, social environment, and cultural background. If KBS wants really to be like BBC, it needs to understand the BBC's past as well as its present. In this respect, this study explores the historical development of BBC and the evolution of the concept of public service broadcasting, while tracing its major changes in the 1990s.

Despite its proclaimed 'public service system', Korean broadcasting is not operated on the principles of public service. Then why has the public service idea not been established in Korean broadcasting? This study examines the development process of Korean broadcasting from the point of view that the current distorted operation of Korean broadcasting is a result of its history. Politics was the main power that shaped the structure and characteristics of Korean broadcasting. The scope and conduct of broadcasting was determined by the political power in Korea. Since the time under the Japanese Imperial rule, broadcasting has been used as an instrument of publicity and justification of the regime. In

addition, the role and responsibilities of broadcasting has not been discussed socially in Korea. The public service system of Korean broadcasting was established without defining what it was all about. This was partly because there were no 'defining individuals' who had deep commitment to the principles of public service broadcasting or strong leaders with vision like Reith, Birt or Hussey in the history of Korean broadcasting. For a long time, Korean broadcasting was under bureaucrats who considered broadcasting not so much as the object of devotion as that of pure administration.

The downward standardisation of Korean broadcasting has brought about much criticism, especially towards public broadcasters, namely KBS. This is because KBS is operated by public funds, the licence fee. However, because of the imbalance in capital structure, as long as the revenues from advertising continue to remain higher than revenues from licence fees, it will be unreasonable to expect a fundamental change in the formation of KBS's programmes. No broadcaster can be totally free or independent from the source of its funds. Problems surrounding licence fees have been recognised and have been often debated along with the political independence of the management in securing the public operation of KBS. This study discusses the problems that are important in securing the public-ness of KBS. It addresses both the institutional and cultural dimensions of public broadcasting in Korea, an approach not frequently taken. It hopes to examine a major problem in the corporate culture of KBS, that is, the problem of securing the public-ness of KBS from the perspective of the programme makers. This is because programme makers exert a great deal of influence on their products, and their work also reflects on the value system of the broadcasting stations for which they work.

In sum, the aim of this study is to conduct a long-term structural analysis of how public broadcasting systems develop and change. The study tries to find the reasons why Korean broadcasting is not operated on the principle of public service and to explore ways to establish the public-ness of broadcasting in Korea institutionally and culturally. It traces how public service broadcasting has evolved in the United Kingdom where the concept of

public service broadcasting originated. It also focuses on the different development process of broadcasting in Korea on the understanding that the present is the fruit of tradition and experience, which have been accumulated from the past. This study explores the events and issues at stake for the two public service broadcasters in the 1990s by examining informed analyses of the key principles and concerns of public service broadcasting. It also investigates the background, process, and impact of the policies taken by the BBC and KBS, while finding common factors and contrasting results in the two public broadcasters. Finally, this study rethinks the necessity of public service broadcasting in the digital age and tries to find the way to acquire public-ness of Korean public service broadcasting.

## **1.2 The public service broadcasting in question**

The development of new technologies such as digital broadcasting and Internet, deregulation, globalisation, integration of market and capital, individualisation of lifestyle, and change in time-consuming structure, all threaten and provide newer opportunities for public or commercial broadcasting. However, public service broadcasting is more liable to be put in a dilemma than commercial broadcasting due to factors such as socio-economical transformation and the development of technology.

### **1.2.1 The crisis in public service broadcasting**

Public service broadcasting today is in danger. But it was not a stable and natural broadcasting system from the very beginning. The public service broadcasting system was an outcome of alliances between different social actors to the emergence of a new medium. But since the views and interests of these actors were likely to be conflicting, the alliances might be of a 'negative' nature.<sup>4</sup> As Tracey says, the public service broadcasting system

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<sup>4</sup> A negative alliance implies that the participants differ on what solutions they favour, but come

was not something which magically flowed from a set of institutional arrangements, nor something created by simply putting onto paper a lot of good intentions.<sup>5</sup> It was a reflection of social forces and interests in specific historical settings.

In Western countries in general, though there were some time differences, broadcasting systems have been developed from a private company system, via a public system and public/private system, to a pluralistic system. The change from private to public resulted not so much from the problem of bandwidth scarcity and the public goods nature of broadcasting as from the underdevelopment of private capital – there were insufficient funds to set up the broadcast station. Another reason for the change was the strong demand for social integration, which emerged after the First World War. The argument of spectrum scarcity was raised afterwards to justify the existence of public service broadcasting.

With the emergence of television, public service broadcasting faced another crisis. The then social actors, including capitalist forces, paid their attention to the potential of television, which was far superior to that of radio. At that time, the private sector had a good supply of capital. But these social actors agreed to apply the antecedent radio model. It was natural to run television publicly as the public radio service was already an established social institution. If the public service broadcasting had not grown up through radio broadcasts, the television service would have started as a private broadcasting system and provided rather different programming.

Public service broadcasting had to compete with private broadcasting in the 1960s and 1970s. In the 1980s public service broadcasting confronted a greater crisis, which resulted from the deregulation policies under the banner of a free market economy and the rapidly increasing channels. Technological developments enabled diverse delivery platforms such

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together in coalitions because they agree on what solutions to oppose. Trine Syvertsen, *Public Television in Transition: A Comparative and Historical Analysis of the BBC and the NRK* (Oslo: Levende Bilder, 1992), p.25.

<sup>5</sup> Michael Tracy, *The Decline and Fall of Public Service Broadcasting*, (Oxford: Oxford University

as cable and satellite, and thus raised the question of the justification of public service broadcasting based on the principle of spectrum scarcity. In the 1990s, with the epoch-making digital technology, in addition to the established analogue multi-channel cable and satellite media, the concept of spectrum scarcity became almost meaningless.

Under these circumstances, public service broadcasting started to employ diversification and efficiency strategies to survive and adapt itself in a new environment. The logic of commercialism is on a surge to the extent that public service broadcasting goes to commercial business to make profits. Against this commercial trend of public service broadcasting, there comes an argument that it should concentrate on its original duties. An undeniable fact is that the broadcasting landscape and the expectation of the public broadcasting to serve the public are changed. A matter of great concern is whether public service broadcasting will be relegated from the main channel to a marginal one or survives as a more important content provider than before in the multi-channel environment.

### **1.2.2 Causes of the crisis**

There are many causes that bring about the crisis in public service broadcasting. These causes act both individually and collectively, but can be categorised into four main causes: the dilemma of dual objective; the questioning of the legitimacy of public service broadcasting in the multi-channel environment; the competitiveness of public service broadcasting in the market system; and the fairness of economic support for public service broadcasting.

#### **1.2.2.1 Dilemma of dual objective**

Public service broadcasting bears two responsibilities that are incompatible in essence. One

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Press, 1998) p.152.

is to be programme distinctive and the other is to keep the audience's share to a certain level. Firstly, the demand for distinctiveness is that public service broadcasting is required to provide high-quality, innovative programmes over a wide range of subject areas, as opposed to commercial broadcasting, which usually schedules 'lowest common denominator' entertainment programmes. Commercial broadcasting is likely to have a short view and under-invest in the production of good programmes. Arguments connected with this are that public service broadcasting has to experiment with new ideas and challenge new formats, influence the programming of commercial broadcasting and finally enhance the quality of programmes as a whole. According to McKinsey's analysis, the more distinctive programming a public service broadcaster provides in current-affairs, news, children's and cultural areas, the more similar programming provide commercial broadcasters.<sup>6</sup>

While commercial broadcasters rely on cheap imports and commissioned programmes, public service broadcasters make bulk of their programmes themselves in their own studios. The high in-house production ratio may hamper the development of independent production and the diversity of expressions. A certain proportion of in-house production, however, is considered as necessary to maintain and develop national culture and national identity and to improve and disseminate programme-making capabilities under the circumstances where imported programmes continue to increase.

Another requirement for public service broadcasting is to keep a certain level of market share, which is contrasted with the requirement to provide distinctive programming. If public service broadcasting has a strong *raison d'être*, it needs to have so much audience share in order to exert a positive influence on the market. Declining market shares can create financial pressures on broadcasters because arguments of public broadcasters for the maintenance of their levels of public subsidy will be weakened to the extent that the size of

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<sup>6</sup> McKinsey, *Public Service Broadcasters Around the World: A McKinsey Report for the BBC* (London: McKinsey & Company, 1993).

their audience diminishes.... Moreover, at least a percentage of pay-TV subscribers will be less inclined to pay licence fees and taxes to finance public broadcasting stations, which will account for a smaller proportion of available channels and less of their viewing time'.<sup>7</sup> The distinctive programming of public service broadcasting is influential only when its market share attains a certain level. In the case of high distinctiveness and low share (for example, PBS of the U.S. and EBS of Korea), programmes newly developed and experimented are seldom disseminated to other commercial broadcasters. The distinctive programmes of that public service broadcaster do not influence other broadcasters' programmes.

The dilemma of public service broadcasting is that these two requirements are contrary to each other. Distinctive programming is likely to attain low ratings. Quality programming does not necessarily have a large audience share. The reality is that the ratings of documentaries made elaborately for quite a long time are lower than the ratings of entertainment made easily in a short time. If public service broadcasting takes a realistic approach of ratings-oriented programming instead of distinctive programming, questions will be raised about its benefits, such as licence fee and channel occupancy. On the contrary, if distinctive programming has low ratings as a whole, people will question the grants that support the channels they do not watch.

### **1.2.2.2 Legitimacy of public service broadcasting is challenged**

Public service broadcasting was once seen as the best way to achieve quality broadcasting and the most effective method of limited bandwidth. But it is now considered as inefficient remains of the state monopolist times and just 'an aspect of the broadcasting in need of reform rather than protection'.<sup>8</sup> Public service broadcasting was expected to fulfil a range

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<sup>7</sup> Allan Brown, 'Economics, Public Service Broadcasting, and Social Values', *The Journal of Media Economics* 9(1), p.13. (1996).

<sup>8</sup> Forman, D. 'Will TV Survive the Politicians and the Media Mercenaries?', *The Listener* (16 July 1987).

of roles and functions in return for its privileged position. But as the roles and functions public service broadcasting had played are being replaced by commercial broadcasting, the privileges it possesses and its legitimacy are being challenged.

Public service broadcasting is required to meet a range of new standards, primarily concerning financial management, efficiency and accountability.<sup>9</sup> With the change of broadcasting system from a monopoly or oligopoly to multi-channels, the justification for the privileges of public service broadcasting is becoming undermined. Commercial rivals demand that public service broadcasting compete under the same conditions.

### **1.2.2.3 Competitiveness of public service broadcasting**

Contrary to the past years when a limited number of channels were available, programme production and acquiring costs are soaring in a high multi-channel environment. For example, NBC was obliged to pay 6 times what it paid a year before to buy the 1997/8 season *ER*, a hospital drama. In the same season it paid 5.5 million dollars, which cost 2.4 times what it did, to buy just one episode of *Seinfeld*. The rise in the licensee fee does not match inflation in production costs.

Sports coverage once belonged to a cheap programme group and was considered an ever-guaranteed domain for public service broadcasting. Nowadays, public service broadcasting often cannot cover major sporting events because of the high-priced rights. There is no longer any protection against them being available only on a cable or satellite channel. In the 1990 Broadcasting Act, the 'listed events' provision, which contained the clause preventing one broadcaster from buying exclusive access to the most popular sporting events such as the FA Cup final, Wimbledon and the Olympics, was removed.

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<sup>9</sup> Lucy Küng-Shankleman, *Inside the BBC and CNN: Managing Media Organisations* (London: Routledge, 2000), p.32.

#### **1.2.2.4 Fair competition**

With the market opening and the competition increasing, questions are raised about the privileges of public service broadcasting and the unfairness of the competition between public and commercial broadcasting. Commercial broadcasters complained about the combination of licence fee and sometimes, advertising revenue, and in some cases the government grant enjoyed by public service broadcasters, even though they provide the same programmes and fulfil the same function. They claim that it is unfair to grant favours to some but not to all market participants.

When public and commercial broadcasters compete for the right to broadcast major sporting events, the problem of unfairness protrudes. If the public service broadcaster gains the right by a high bid, commercial broadcasters will call into question the advantageous position of the public service broadcaster, which uses public money. In 1991 the issue on state aid entered the legal arena of the European Community when the Spanish television company, Telecinco lodged a complaint against the public service broadcaster RTVE.<sup>10</sup> There were similar cases in Italy, France, Germany and the UK.

The audience' share of public service broadcasting is changing as the number of channels increase. For example the BBC's share of national TV audience has already changed to 44%, from 50% in 1989.<sup>11</sup> The audience share of public service broadcasters in the European Union is moving from an average of 82 % in 1984, to 57 % in 1990 and 46% in 1994.

#### **1.2.3 The licence fee system in question**

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<sup>10</sup> Graham Mather, 'Competition and Public Purpose: a European Approach', Andrew Graham et al., *Public Purposes in Broadcasting: Funding the BBC* (Luton: University of Luton Press, 1999), p.102.

<sup>11</sup> Carole Tongue, *The Future of Public Service Television in a Multi-channel Digital Age* (A report

All countries that introduced public service broadcasting went through disputes regarding the funding system, and received sensitive attention from the public. The sources of the funding and the way it is provided are very important as they influence the organisation and the programme activities of public broadcasters.<sup>12</sup> Therefore, the choice of the funding system is an important subject of public service broadcasting. The broadcasting finance such as licence fee is directly linked to the people's property rights, the freedom of speech and expression, and it is an element that determines the character of broadcasting. There has been much research on the funding system and licence fee in particular. But the evaluations on the funding system differ depending on the researchers' conceptual, political and cultural motivation, and their view of the world. Because of this, it is difficult to reach a general agreement on the funding system for the public service broadcasting. However, all the researchers agree that the licence fee has a direct impact on the existence of public service broadcasting. Therefore, an evaluation on the licence fee will reveal the position on public service broadcasting.

The evaluation on broadcasting finance differs mainly according to the evaluator's philosophical orientation. The perspective on broadcasting finance varies according to the view of public service broadcasting in particular, and the view of broadcasting in general. Ultimately, this is connected directly to the question of how people view society and the world. In general, the people who think of public interests as the guiding principle of a society are called 'social value school', and the people whose way of thinking are capitalist or market oriented are called 'market value school'.<sup>13</sup>

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submitted to the European Parliament, 19 September 1996).

<sup>12</sup> According to the report of European Broadcasting Union, the reasons why the broadcasting finance is important are as follows.

First, funding influences content.

Second, funding is a means of steering the implementation of the public service remit.

Third, public funding is an integral part of the public service broadcasting system.

EBU Legal Department, *The Funding of Public Service Broadcasting* (9 November 2000), pp.4-7.

<sup>13</sup> Seungsoo Kim, 'A Theoretical Study on the Licence Fee', *The Journal of Korean Broadcasting Society*, Vol.16, No.3 (October 2002a) p.50.

### **1.2.3.1 Social value theory**

Centring on the social function and value of broadcasting, the social value school emphasises the public-ness of ownership and funds, and asserts that public service broadcasting is the optimal broadcasting to realise such values. Even so, the school does not ignore the economic logic of broadcasting. It recognises that broadcasting possesses a market attribute to some extent, and sees that the social utility will be maximised when the attribute is rationally developed. The representative academics of social value school are Jay Blumler, Nicholas Garnham and Andrew Graham. These academics criticised the privatisation and commercialisation of broadcasting caused by free market ideology, and published various research results to theoretically safeguard public service broadcasting. The social value school presented market failure, which occurs due to dependency of broadcasting on market logic, as a serious social problem, and asserted that, the marketisation of broadcasting brought about a catastrophic consequence in the economic, cultural and political perspectives. To this school, the marketisation of broadcasting is just the opposite of the public interest. Broadcasting companies are constantly bent on raising advertising revenues, and they try to maximise profits by focusing on the ratings-oriented programming. Therefore, the social value school is against the marketisation of broadcasting, and asserts the strengthening of the value of public service broadcasting. In order for public service broadcasting to become a means of realising public interest, its funding must come from common citizens who have television sets. Public funding is most desirable for public service broadcasting.

Social value advocates express sharp criticism of the people who have blind faith in the market. The main points of their criticisms are as follows: first, the market is not democratic; second, the market reproduces inequality; third, the market is immoral; fourth, the market ignores or cannot satisfy social necessities; fifth, the market cannot satisfy the democratic demand that is absolutely necessary; sixth, the market wastes enormous amount of resources due to the craving for gains and anarchic competition; seventh, the market can

mean good news for countries that have global media, but it can mean calamity for countries that do not have such.<sup>14</sup> Thus, social value school academics such as Murdock believe that broadcasting should not be subject to the market and money, and demand that it should be considered as a part of the people's cultural rights and citizenship.<sup>15</sup> Andrew Graham argued that strong public service broadcasting is necessary because public service broadcasting provides merit goods while commercial broadcasting works around ratings, so the two should be kept in balance in a multi-channel environment.<sup>16</sup>

The social value school stresses that public funding such as licence fee is a powerful means to support public service broadcasting. If sufficient public funding is not provided, it will be difficult for public service broadcasting to be faithful to the public interest. Therefore, the social value school says that, for public service broadcasting to do its duties, a secured funding must be provided to it through constant improvement of the licence fee system. If broadcasting funds comes from private economies, broadcasting services must listen to their demands. Thus the social value school refuses private funds, and sees the licence fee system as a superior funding method to ensure public interest. The social value school pays attention to three principles on broadcasting finance.

First, the finance of public service broadcasting must follow the principle of 'sufficiency without excess'.<sup>17</sup> This means that public funding is to be provided appropriately and just sufficiently, without wastage, to public service broadcasting to serve the public well.

Second, public service broadcasting financed by licence fee can be faithful to public purposes. Many a social value advocate insists that when public service broadcasting is

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<sup>14</sup> David Croteau and William Hoynes, *The Business of Media: Corporate Media and the Public Interest* (Thousand Oaks, Calif.: Pine Forge Press, 2001), pp.21-5.

<sup>15</sup> Graham Murdock, 'Money Talks: Broadcasting, Finance and Public Culture', Stuart Hood(ed), *Behind the Screens: The Structure of British Television in the 1990s* (London: Lawrence & Wishart, 1994), pp.155-183.

<sup>16</sup> Andrew Graham, 'Quality Not Profit'. *Open Democracy*, 16 May 2001.

<sup>17</sup> DCMS, *The Future Funding of the BBC: Report of the Independent Review Panel* (July 1999),

funded by licence fee, it can best reflect the demands and interests of the people, the licence fee payers. As market share declines, he notes, advertisers are unwilling to pay as much, and this results in declining income as market erodes. In such a situation, public service broadcasters, which rely on advertising would seek to overperform in terms of audience share.<sup>18</sup> Picard conducted a correlation analysis to determine what relationships the sources of income have on the performance. He analysed eighteen public service broadcasters from fourteen European countries. The results are as follows.

Table 1.1 Correlation of market share performance and funding for public service broadcasters<sup>19</sup>

	Performance	Licence fee	State	Other
Performance	1			
Licence fee	0.025327	1		
State	-0.26399	-0.71959	1	
Other	0.100818	-0.93606	0.429259	1

Picard points out that public service broadcasters which rely more on government funding will be less focused on pleasing and generating audiences than pleasing parliaments, and that broadcasters which rely on licence fees have an incentive to respond to their audience, the licence fee payers. Table 1.1 shows a definite, small negative relationship between performance and government funding, a highly negative relationship between licence fees and government and other income, and a certain but weak relationship between government funding and funding from other than licence or government sources. Such research results once again verify a common fact that when the licence fee is the main funding method of public service broadcasting, then its relationship with the government can be normal and it

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p. 40. This report was the research result of the Independent Review Panel, Gavyn Davis chaired.

<sup>18</sup> Robert Picard, *Audience Economics of European Union Public Service Broadcasters: Assessing Performance in Competitive Markets* (Turku School of Economics and Business Administration, Finland, October 2001), p.19.

<sup>19</sup> *Ibid.*, p.19.

will stay close to the audience interests and needs.

Third, the licence fee must be spent as efficiently as possible as it is paid by every household in the country. Its efficiency should be examined in various ways: by publishing annual reports assessing the performance against objectives, by including the report of external audits, and by verifying its value for money, which can be obtained by comparing with other broadcasters.

### **1.2.3.2 Market value theory**

The market value theory sees broadcasting within the framework of market economy. It therefore claims that broadcasting should be allocated by the interplay of supply and demand in free markets, unhampered by government intervention or other coercive interference. The main advocates of this theory are Coase, Peacock and Elstein. The economist R H Coase deplored in 1966 that broadcasting policies developed in a world 'in which ignorance, prejudice and mental confusion, encouraged rather than dispelled by the political organisation, exert a strong influence on policy making'.<sup>20</sup> He noted that the radio frequency spectrum, as scarce a resource as land, labour, and capital, did not need to be regulated by the government,<sup>21</sup> and suggested that its allocation be determined by the pricing system and be awarded to the highest bidder.<sup>22</sup> The gist of the market value theory is that economic welfare is secured and freedom of choice is assured when broadcasting is operated by the market logic. That is to say, only the marketisation of broadcasting can

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<sup>20</sup> Ronald H. Coase, 'The Economics of Broadcasting and Government Policy', *American Economic Review*, Vol. 56, No.1/2(March 1966); Cited in Robin Foster et al., *Measuring Public Service Broadcasting* (London: Ofcom, 2004), p.4. (reproduced from chapter in Damian Tambini and Jamie Cowling (eds) *From Public Service Broadcasting to Public Service Communication* (London: IPPR, 2004)).

<sup>21</sup> Ronald H. Coase, *British Broadcasting: A Study in Monopoly* (London: Longmans, 1950).

<sup>22</sup> 'Ronald H. Coase – Autobiography', *Les Prix Nobel* (Stockholm: The Nobel Foundation, 1991).

maximise its efficiency and autonomy and realise the optimal welfare of the consumers.<sup>23</sup> Michael Powell, the chairman of FCC (Federal Communications Commission, U.S.), is a market value extremist. He says that regulation is no longer necessary since it is better to 'let markets pick winners and losers'.<sup>24</sup> The FCC is to be concerned only with spectrum efficiency. He argues for the alleviation of ownership restriction in the U.S. broadcasting industry, and his view affects the broadcasting industry all over the world.

Market value advocates criticise the public service broadcasting system and propose the deregulation and marketisation of broadcasting as an alternative. Croteau enumerates the advantages of the market: the market promotes efficiency, flexibility and innovation, responds quickly to the consumers' demands, and can distribute media products like other products.<sup>25</sup>

Market value advocates appraise the market system as efficient and reasonable, and view the public service broadcasting system as failing to realise the market value while using enormous amounts of public funds inefficiently. They view public service broadcasting as anachronistic and anti-market, limiting the freedom of choice of consumers, advertisers and capitals. They question public intervention in broadcasting and the licence fee system in particular. Elstein says that the licence fee system has become even more regressive in the digital age and should be abolished.<sup>26</sup> Licence fee is often described as poll tax that 'picks the pockets of the poor to fund the pleasures of the better off' and 'stultifies the intellectual and creative life of the nation'.<sup>27</sup>

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<sup>23</sup> The marketisation of broadcasting is said to extend choices, increase efficiency and ensure consumers' welfare by promoting privatisation, commercialisation and openness of broadcasting. However, it is dangerous to approach broadcasting only with a mathematical and economic logic, ignoring its cultural and mental aspects. If possible to approach broadcasting mathematically, the marketisation of broadcasting is not sound logically in that the concepts such as competition and efficiency are difficult to measure.

<sup>24</sup> FCC, *Statement of Commissioner Michael K. Powell, Dissenting In Part* (20 January 2000).

<sup>25</sup> Croteau and Hoynes, *op.cit.*, pp.15-17.

<sup>26</sup> David Elstein, 'The BBC No Longer Washes Whiter', *Open Democracy* (16 May 2001).

<sup>27</sup> David Cox, 'Kill The BBC Licence Fee', *New Statesman* (26 August 2002).

It is a fact that the justification for public service broadcasting becomes weakened as the channels available increase. The market value advocates attack the public service system on a more regular basis, taking advantage of the changing social atmosphere, which now becomes unfavourable to the licence fee system. Elstein says that public service broadcasting is wasteful, patronising and too close to power as the British experience shows.<sup>28</sup> The market value advocates, therefore, demand that either advertising or subscription should replace the funding basis of public service broadcasting. They insist that public service broadcasting, to justify itself, needs to pay a proper price for its spectrum so as not to distort the market; that it is to be funded by consent not by enforcement; and that it offers and demonstrates to the public, good value for money.

In sum, for market value advocates who believe in the logic of competition, choice, and efficiency, public service broadcasting needs to be reformed. They consider the licence fee system an anti-market funding method that distorts the mechanism of the market, and thus needs to be abolished. For them, public service broadcasting wastes an enormous amount of money, collected without the people's consent, inefficiently and ineffectively.

As can be seen above, the social value theory and the market value theory are opposed to each other on the matter of public service broadcasting and its licence fee. The former sees that public service broadcasting is indispensable even in the digital broadcasting environment and its funding basis should be mainly thought a licence fee that is dutifully paid by every citizen because broadcasting is an essential public good. The latter considers public service broadcasting as non-essential public goods or quasi-public goods, and raises objection to its licence fee system, referring to it as regressive as poll tax. To put the two positions together, the former is defensive and the latter is offensive. Under these differing circumstances, public service broadcasting stands on the crossroads.

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<sup>28</sup> Elstein, op.cit.

### **1.3 Research questions and methodology**

The primary purpose of the present study is to identify the reasons why Korean broadcasting, compared to British broadcasting, is not operated on the principles of public service, and to explore how it can establish the public-ness of broadcasting. Within this framework, the study sets up three main research questions.

First, what are the main factors that form the character of Korean broadcasting? The study first looks at the developmental process of British broadcasting, from which public service broadcasting originates and its principles established, and compares it with that of Korean broadcasting.

Second, what has happened to national public service broadcasting in the 1990s? The study examines the changing broadcasting environment over the past decade and its relevance to public service broadcasting. While tracing how the BBC and KBS reshaped themselves in the 1990s, the study estimates the merits and demerits of the changes.

Third, is the concept of public service broadcasting passé or will there still be a need for public service broadcasting in the multi-channel environment? The case for public service broadcasting becomes weakened as channel availability increases and the market-logic gains ground. The study examines public service broadcasting's public purposes and its funding and tries to find a 'new' role for public service broadcasting in an era of digitisation, commercialisation and globalisation.

For the purpose of this study, primary and secondary sources have been examined. First of all, literature reviews and the empirical part of the study are based on primary sources such as written documents, official documents, academic theses, working papers, consulting papers and so on. In some cases, the author had a chance to gain access to internal documents. In order to provide valid evidence and put more weight on the argument of the

thesis, interviews and a questionnaire survey have also been conducted.

The in-company research was conducted between 1998 and 2003. At the BBC, two rounds of in-depth interviews were conducted, first in October 1998 and second in June 1999. More than twenty senior members of the BBC staff were interviewed. At KBS, in-depth interviews with twenty people were carried out in March 2002 and a questionnaire survey was administered in May 2003.

### 1.3.1 Research at the BBC in 1998

Table 1.2 Research outline

<p>1. Comparison Between the Initial Stages of the BBC Under Director-General John Birt and the BBC Today</p> <p>A. Changes in the size and quality of human resources, the size of financial resources, and broadcasting services</p> <p>B. Changes in organisational culture / other changes of reference</p>
<p>2. Restructuring Policy of John Birt</p> <p>A. Current assignment of focus in BBC restructuring</p> <p>B. Restructuring philosophy and strategy</p> <p>C. Structure and management of restructuring team</p> <p>D. Method of coping with internal and external resistance against restructuring, production, financial management, etc.</p>
<p>3. Organisational Restructuring</p> <p>A. Purpose and results of organisational restructuring</p> <p>B. Process and strategies in organisational restructuring</p> <p>C. Important changes in the organisation (that can be referenced)</p> <p>D. Merger of TV and radio, reason for merger, philosophy and strategy, conclusion (success/failure), human resources operation after merger</p> <p>E. Mechanism of BBC Broadcast &amp; BBC Production (roles of each arm, relationship between Broadcast and Production)</p>
<p>4. Producer Choice System</p> <p>A. BBC interpretation on Producer Choice System (success/ failure)</p> <p>B. Changes in organisational culture upon implementation</p>
<p>5. Apollo Project</p> <p>A. Reason for implementing ERP system</p> <p>B. Process and strategies in implementation</p>

In April 1998, Mr Kwonsang Park was inaugurated as the president of KBS. In September, he visited the BBC, establishing an Agreement for Cooperation with its director-general. As with the first case of co-operation, the BBC permitted a KBS member to study its organisational restructuring. I was chosen to be this researcher and I carried out the initial research at the BBC between October 13 and November 12, 1998. Before commencing, I sent a research outline to the BBC. The BBC External Relations arranged the schedule and interviewees.

Table 1.3 People interviewed

<b>With</b>	<b>Department</b>	<b>Subject</b>
Jon Barton, Executive Editor of TV Daily News	BBC News	Bi-media working
Mike Smartt, Editor of News Online	BBC News	News Online
Bob Eggington, Director of News Online	BBC News	News Online
Ken Connell, Head of Operation, Continuous News	BBC News	News 24
Alex Sumner, Executive Producer	BBC Choice	BBC Choice
Ilse Howling, Chief Assistant to Director	Radio	Restructuring
Michael Starks, Director of Customer Service	Customer Service	Producer Choice
Rona Christie, Head of Broadcast Training	Training Centre	BBC Training
Mick Gleave, Advisor of BBC Technical Policy	Technical Policy	Digital Broadcasting
Bob Nelson, Head of Organisation & Management Development	Personnel	Human Resources
Kate Smith, Personnel Controller of BBC Broadcast	Broadcast Personnel	Human Resources
Mark Waters, Head of Employee Relations	Personnel	Union Negotiation
John Hughes, Manager of Corporate Human Resources	Personnel	Human Resource Management
Susan Denham, Head of Strategy	BBC Production	Restructuring
Gwyneth Henderson, Head of World Service Training	BBC World Service	World Service Training
Doug Smit, Head of Financial Strategy	Finance	Finance

Simon Milner, Senior Advisor	Policy & Planning	Policy & Planning
Ian Hunter, Head of Strategy Projects	BBC Broadcast	Restructuring
Michael Stevenson, Deputy Director of Regional Broadcasting	Regional Broadcasting	Organisational Restructuring
Rikki Nath, Secretary & Legal Adviser	BBC Resources	BBC Resources
Carolyn Fairbairn, Director of Strategy	BBC Worldwide	BBC Worldwide
Olga Eldridge, Director of BBC Worldwide TV	BBC Worldwide	BBC Worldwide/ Producer Choice

Interviews were carried out at the interviewees' offices. Interviews were approximately one hour in duration. Every interview was recorded, with the interviewee's consent.

### 1.3.2 Research at the BBC in 1999

In June 1999 the second research project was carried out and completed within one week. The research focused on the Apollo project, developed to re-evaluate and redesign the BBC's administrative and financial processes. Two members of SAP England, responsible for supplying software packages and implementing the project, were interviewed at their offices.<sup>29</sup>

Table 1.4 People interviewed

With	Company	Subject
Martin Connors, Managing Director of Industry Solution	SAP England	Apollo Project
Anne Breadmore, Consultant	SAP England	Apollo Project
Carolyn Fairbairn, Director of Strategy	BBC Worldwide	BBC Worldwide
Rikki Nath, Secretary & Legal Adviser	BBC Resources	BBC Resources

<sup>29</sup> Founded in 1972 and headquartered in Walldorf, Germany, SAP is the world's largest inter-enterprise software company, and the world's third-largest independent software supplier overall. It claims that media companies can streamline processes and realise synergies throughout the value chain with its solution for Media's end-to-end integration.

SAP Korea, a management-consulting firm that was implementing a similar ERP project to Apollo at KBS at that time, arranged the time and selected the people for their interviews. In addition, two senior members of the BBC staff were interviewed on the current state of BBC's resources, operations and commercial activities. The author arranged these interviews.

### 1.3.3 Research at KBS between 2001 and 2003

The research at the KBS was conducted between 2001 and 2003 by means of an in-depth interview and a questionnaire survey. Interviews were carried out in March 2002 with twenty members of the KBS staff and focused on its organisational restructuring.

#### 1.3.3.1 Interview in March 2001

Interviews were carried out with the KBS staff about its restructuring during the second week of March 2001. The author arranged these interviews.<sup>30</sup> The method of interview was similar to that at the BBC.

Table 1.5 People interviewed

With	Department	Subject
Sungho Kim, Managing Director	Millennium Planning Team	Organisational Restructuring
Minhyung Um, Manager	Millennium Planning Team	Organisational Restructuring
Changsuk Moon, Secretary	Secretariat to the President	Organisational Restructuring
Sangyo Lee, Head of Programming	Broadcast	Channel Strategy
Byungchan Choi, Executive Producer	Broadcast	Commissioning

<sup>30</sup> The author participated in the process of restructuring as a member of KBS Millennium Planning Team between November 1998 and February 2001.

Kyuwhan Lee, Head of New Media	Broadcast	New Media
Choyung Chung, Director of Radio 1	Production	Digitalisation
Kirang Jang, Producer of Cultural Programme	Production	CP System
Kyungsook Cho, Head of Satellite Broadcast Programming	Production	CP System
Jinkyu Oh, Executive Producer of Entertainment Programme	Production	Programming Strategy
Junan Lee, Head of Political News	News	Organisational Restructuring
Whanjoo Kim, News Reporter	News	News Production
Yunja Joo, Manager of Programme Evaluation	Programme Evaluation	PSI Index
Kihyun Ma, Manger of Personnel	Personnel	Organisational Restructuring
Sanghoon Lee, Manager of Finance	Finance	Licence Fee & Advertising
Sangwoo Lee, Director of KBS Worldwide	KBS Worldwide	Commercial Activities
Hoonkeun Choi, Manager of Customer Service	Customer Service	KBS Promise to Licence Payer
Wonjae Lee, Head of IT	IT	ERP Project
Jaehak Lee, IT Manager	IT	ERP Project
Changhee Kim, Managing Director	Engineering	Digitalisation

### 1.3.3.2 Questionnaire survey

The questionnaire survey was carried out in May 2003 to identify the characteristics of KBS's organisational culture and the value-orientation of its members. The first half of the questionnaire quoted the model drawn up by Goffe and Jones<sup>31</sup>, which classified an organisation's culture by assessing the level of sociability and solidarity among its members. The second half of the questionnaire was to identify the value-orientation of the KBS staff.

<sup>31</sup> Rob Goffee and Gareth Jones, 'What Holds The Modern Company Together', *Harvard Business*

Table 1.6 Questionnaire

A. What Is Your Organisation's Culture?

To assess your organisation's level of sociability, answer the following questions:

1. People here try to make friends and to keep their relations strong.
2. People here get along very well.
3. People in our group often socialise outside the office.
4. People here really like one another.
5. When people leave our group, we stay in touch.
6. People here do favours for others because they like one another.
7. People here often confide in one another about personal matters.

To assess your organisation's level of solidarity, answer the following questions:

1. Our group (organisation, division, unit, and team) understands and shares the same business objectives.
2. Work gets done effectively and productively.
3. Our group takes strong action to address poor performance.
4. Our collective will to win is high.
5. When opportunities for competitive advantage arise, we move quickly to capitalise on them.
6. We share the same strategic goals.
7. We know who the competition is.

B.

1. What do you think is the immediate need for KBS to have communal organisational culture?
2. What is the first priority when you originate the content of programming?
3. The sensational treatment and rating-oriented programming of KBS 2 has been a growing matter of public concern. What steps do you think are necessary to resolve this problem?
4. On the criticism of KBS 2's ratings-oriented programming, some people argue that it is inevitable as long as KBS takes advertising. Do you think programming to boost ratings cease when the licence fee is raised enough? If not, explain why.
5. There are two arguments about KBS financing: one is to raise the licence fee to enhance the weight of public funds and the other is to keep advertising irrespective of the KBS identity. What do you think is a desirable funding method?

Questionnaire papers were distributed to the television producers of KBS by the Producers' Association during the first week of May 2003. They were collected in the second week. Responding producers numbered 63. Full details of the survey can be found in Chapter 7.

#### **1.4 Outlines of the study**

This study falls broadly into two parts. The first part, comprising Chapter 2, Chapter 3, and Chapter 4, describes British broadcasting and the BBC. Chapter 2, 'The development and change of public service broadcasting in Britain', explores the historical development and evolution of the concept of public service broadcasting in Britain as reflected by the BBC until the early 1980s. British broadcasting pioneered public service broadcasting and operated on principles of public service. The concept of public service broadcasting, however, has changed in different cultural, social, political, economic and institutional circumstances. Each stage in the development of broadcasting, from the emergence of the BBC, through the introduction of commercial television, to the founding of Channel 4, can be seen as part of a process of the reinterpretation of the concept of public service broadcasting.

Chapter 3, 'Public service broadcasting in transition: the BBC in the Thatcher years', concentrates on the repositioning of the BBC since the late 1980s. BBC management under Director General John Birt initiated market-oriented projects, aligning the BBC with market principles. One such initiative was Producer Choice, a trading system based on buyer/seller relationships, which directed the BBC in all its decision-making processes. Producer Choice echoed the rhetoric of 'enterprise' and 'market' so central to Thatcherism. This chapter explores the reasons for the initiation of Producer Choice, which emphasised efficiency and money rather than broadcasting quality or commitment to public service. It also investigates the strategy's impact on the BBC's public service ethos and corporate culture.

Chapter 4, 'The BBC in the 1990s', traces the reorganisation process of the BBC in its adaptation to the digital age and discusses the accomplishments and limitations of the Birtist Reform for the new BBC. Whilst Birt has been recognised for his contributions to the Charter renewal process and for bringing the BBC into the digital age, his reforms are generally regarded as detrimental to the BBC's traditional standards.

The second part of the study centres on Korean broadcasting and KBS. Chapter 5, entitled 'The evolution of broadcasting in Korea', focuses on the historical process of broadcasting in Korea. While tracing the history of broadcasting from the early years to the 1990s, it discusses the reasons why the public service idea has not been established in Korean broadcasting and why KBS is not guided by principles of public service, despite its proclaimed public service mandate, in a historical context.

Chapter 6, 'Problems in the legacy of Korean broadcasting and how they can be solved', discusses the structural problems of Korean broadcasting caused by distorted practices. It explores the problems to be solved for Korean broadcasting to operate in the public interest, taking into account an institutional perspective. It proposes the conditions needed for Korean public broadcasting to be true to its name in three areas: regulatory framework, financing and programming.

Chapter 7, 'KBS in the 1990s: its changes and limitations', approaches the KBS' task of establishing public-ness from a cultural angle. Culture matters because it influences and shapes values. Broadcasting in the public interest could not be accomplished from just an institutional perspective. Therefore, this chapter explores KBS's organisational culture and identifies the value orientation of its members while tracing its modernising process in the late 1990s. The sensational treatment and ratings-oriented programming of KBS has been a matter of growing public concern. Programming is not based on the whims of an individual producer in an organisation, but is built on that organisation's ethos and rationale. Producers make programmes that reflect a shared agreement on the factors believed to have

programme value. In this respect, this chapter presents KBS's unique culture by assessing the level of sociability and solidarity among its producers and explores the implications of these relationships.

Chapter 8, 'Conclusion', examines the specific implications of the changes in the media environment for public broadcasting corporations, especially the BBC and KBS. It compares the reshaping processes and results of the two public service broadcasters as they adapt to the digital age by investigating the visions and philosophies within their reorganisations. Finding similarities as well as differences, the study concludes by exploring the implications of this analysis for public service broadcasting in general and for KBS in particular.

## Chapter II. The development and change of public service broadcasting in Britain

‘Public service broadcasting’ is frequently used in broadcasting policy and practice, but there is no standard definition of it. A narrow interpretation is that it is a licence fee funded broadcasting system that provides those programmes of minority or specialist interest that a purely commercial system cannot be guaranteed to provide. But as many contributors have pointed out, opinion varies on its precise meaning.<sup>32</sup> There was also considerable variation in the definition between countries and over time.

Britain pioneered public service broadcasting, in keeping with the country’s longstanding principles of public service. The concept of public service broadcasting, however, has changed within the varying contexts of different cultural, social, political, economic and industrial circumstances. Each stage in the development of broadcasting, from the emergence of BBC, through the introduction of commercial television, to the founding of Channel 4, can be seen as sequential steps in the reinterpretation of the concept of public service broadcasting.

In the 1990s, public service broadcasting functioned in a markedly different situation. Technological advances lowered entry barriers to the industry and there seemed no sphere indigenous to public service broadcasting. In the name of efficiency and effectiveness, the public service ethos was disappearing in British broadcasting. This chapter examines the establishment and development of public service broadcasting in Britain, prior to the major changes in the 1980s.

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<sup>32</sup> See, for example, Peacock Report (1986) and Blumler and Nossiter (1991). Syvertsen identifies that more than twenty definitions of public service broadcasting were put forward in the 1980s and more than thirty different features which the contributors claimed characterized it today. He finds that the definitive criteria differ and some are in fact directly contradictory. Some contributors use it in order to describe a national system as a whole, others use it in order to describe certain institutions, and others again use it in order to describe to a certain mixture of programmes. There is also substantial disagreement as to which precise characteristics should be included in the definitions. Trine Syvertsen (1999), ‘The Many Uses of the “Public Service” Concept’, *Nordicom Review*, November, 20 (1), pp.5-12.

## 2.1 The formation of the British Broadcasting Corporation

David Sarnoff, an American pioneer of broadcasting and later president of the Radio Corporation of America, is recognised as the first person to speak of broadcasting as a public service. In 1922 he argued that ‘considered from its broadest aspect ... broadcasting represents a job of entertaining, informing and educating the nation, and should therefore be distinctly regarded as a public service’.<sup>33</sup> He proposed the founding of a public service broadcasting company, which would operate in accordance with these principles. However, broadcasting in the United States developed in a different direction, with the commercial sector dominating the American industry while public service broadcasting was being established in the United Kingdom. This disparity paralleled differences in the extent of state engagement and public opinion regarding state engagement in the two countries.

In the US, state engagement in broadcasting was not considered desirable in part because of strong support for principles associated with a free press. This viewpoint assumes that the market will provide the appropriate institutions and processes for public communication to support a democratic policy, or in its stronger form argues that only the market can ensure the necessary freedom from state control and coercion.<sup>34</sup> However, the public use of broadcasting was emphasised in the United States in the 1920s when radio broadcasting was in its early stages. In 1925 Herbert Hoover, secretary of commerce and later 31<sup>st</sup> president of the United States, told a congressional hearing that radio communication was not to be seen as a business carried out for private gain but as a public concern ‘impressed with the public trust and to be considered primarily from the standpoint of public interest to the same extent and upon the same principles as our public utilities’.<sup>35</sup> The Radio Act of

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<sup>33</sup> Asa Briggs, *The BBC: The First Fifty Years* (Oxford: Oxford University Press, 1985), p.18; James McDonnell, *Public Service Broadcasting: A Reader* (London: Routledge, 1991), p.1.

<sup>34</sup> Nicholas Garnham, ‘The Media and the Public Sphere’, Peter Golding, Graham Murdock, and Philip Schlesinger (eds), *Communicating Politics: Mass Communications and the Political Process* (Leicester, Leicester University Press, 1986), p.39.

<sup>35</sup> Stuart Hood, ‘Broadcasting and the Public Interest: from Consensus to Crisis’, Peter Golding, Graham Murdock, and Philip Schlesinger (eds), *Communicating Politics: Mass Communications*

1927, the first American legislation on broadcasting, had as its premise the view that the radio waves belonged to the people and would not be compromised by uncontrolled commercial exploitation. The Federal Radio Commission, an independent commission of the federal government, was created by the Radio Act with responsibilities to function in such a way as to serve 'public convenience, interest, or necessity'.<sup>36</sup> Therein was the idea of trusteeship on behalf of the public. In 1933, the commission became the Federal Communications Commission (FCC), following the Communication Act of that year. The Commission minimally exercised its rights, though it had wide-ranging power to regulate broadcast media and communications markets, to review programme services, and to make rulings as to the balance between programmes. On its performance, the *Harvard Business News* commented that while talking in terms of public interest, convenience and necessity, the Commission actually chose to further the ends of the commercial broadcasters.<sup>37</sup> In 1982, its chairman made his case for deregulation, claiming that the public interest would be best served if market forces were given free reign. He argued that communications policy 'should be directed towards maximizing the services the public desires for 'the public's interest ... defines the public interest'.<sup>38</sup> He proposed that the Commission should refrain from insinuating itself in programme decisions by the licensees on the grounds that there was no reason to believe that the FCC was more qualified to judge programmes than the advertisers or subscribers who supported them. This corresponds with his argument that the Commission should depend on the broadcasters' determination of the taste of their audience through the mechanism of the market.

In a different way, the state had a leading role in the formation of the broadcasting system in Britain. The evolution of public service broadcasting through its inception and development is mirrored in the various broadcast committees set up by successive governments. These committees, usually known by the names of their chairmen, have been

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*and the Political Process*(Leicester, Leicester University Press, 1986), p.56.

<sup>36</sup> Ibid., p.58.

<sup>37</sup> Ibid., p.60.

<sup>38</sup> Ibid., p.61.

given the task of reporting to Parliament on the conduct of the broadcasters, the general nature of the service provided, and its possible future development.<sup>39</sup> The first broadcast committee, set up in 1923 under the chairmanship of Sir Frederic Sykes, was established to deal with difficulties and confusions that had risen in the first months of broadcasting over the collection and distribution of the licence fees and royalties.<sup>40</sup> The Sykes Committee tried to outline the general purposes of broadcasting, defined it as 'a public utility' which should be used in the public interest, and argued that 'the control of such a potential power over public opinion and the life of the nation ought to remain with the state'.<sup>41</sup> But it did not defend direct government control of broadcasting. Instead, the Committee recommended indirect control through the granting of licences by the Post Office for the establishment of any broadcasting station, and endorsed licence fees as a potential financing method for the BBC.

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<sup>39</sup> Paddy Scannell, 'Public Service Broadcasting: The History of a Concept', Andrew Goodwin and Garry Whannel (eds), *Understanding Television* (London: Routledge, 1990), p.12.

<sup>40</sup> Broadcasting was to be financed partly by a tariff on wireless sets, and partly by a licence fee. The licence fee was not a price for reception of broadcasting but a levy on the licence of a wireless set. At first, there were three kinds of licences—a full licence (for wireless sets attached 'BBC' label), an experimental licence (for wireless sets produced by non-BBC affiliates which didn't pay royalties to the BBC), and a licence for home constructors. Listeners evaded the tariff by building their own sets with foreign components. The Sykes Committee recommended that a simple licence fee should be raised to finance the service. Asa Briggs, *The BBC: The First Fifty Years* (London: Oxford University Press, 1985), pp.42-43; James Curran and Jean Seaton, *Power Without Responsibility: The Press and Broadcasting in Britain* (5<sup>th</sup> edn) (London: Routledge, 1997), pp. 112-3.

<sup>41</sup> Sykes Committee, *Broadcasting Committee Report* (Cmnd. 1951) (London: HMSO, 1923), p.6.

Table 2-1. Main broadcast committees of inquiry<sup>42</sup>

Committee chairman	Dates of meetings	Report date	Recommendation	Result
Sykes	1923	1923	Licence fee as revenue	Agreed
Crawford	1926	1926	BBC to be established as a public corporation	Agreed
Selsdon		1935	BBC to develop television	Agreed
Ullswater		1936	Allowance of political broadcasts	Agreed
Beveridge	1949-51	1951	Regionalisation of the BBC	Not implemented
Pilkington	1960-62	1962	BBC to be granted third television channel	Agreed (BBC2 1964)
Annan	1974-77	1977	Numerous but Channel 4 should be 'publisher'	Agreed (eventually) but most of report ignored
Peacock	1985-86	1986	British broadcasting to move to 'consumer sovereignty' model	Agreed
Davies	1998-99	1999	'Digital licence fee' for BBC's digital service	Agreed (increase of the existing licence fee)

There are two accounts of the origins of the BBC. The first portrays its inception and development as products of chance. The second describes its emergence as the personal achievement of John Reith. Peter Eckersley, one of the company's first employees, wrote that the BBC was formed as an expedient solution to a technical problem and that 'it owes its existence to the scarcity of air waves'.<sup>43</sup> There were almost one hundred applications to the Post Office from receiver manufacturers to set up broadcasting stations. The Post Office

<sup>42</sup> Tim Madge, *Beyond the BBC: Broadcasters and the Public in the 1980s* (London: Macmillan, 1989), p.42. Davies Committee's part is added.

<sup>43</sup> Curran and Seaton, op. cit., pp.111-13.

persuaded them to form one joint company, which would be easier to regulate. Consequently, the British Broadcasting Company Ltd., a cartel of several manufacturers, was granted the only licence to broadcast in 1922. The British Broadcasting Company, a private enterprise, was the product of the Post Office's desire for administrative convenience, as it attempted to solve the potential problems of radio interference.

At first there was severe criticism of the monopoly on the grounds that it inhibited the development of a range of competing programme services and consequently restricted listeners' choices. Reith, the managing director of the British Broadcasting Company, defended it as the essential means of guaranteeing the company's ability to develop as a public service in the national interest. He argued that the monopoly was the best means of developing a technically efficient and economical system of broadcasting which would benefit the whole population.

Reith also played an important role in changing the BBC's status from that of a private company to that of a public corporation. The Crawford Committee was set up in 1925 to establish guidelines for the future of broadcasting on a more long-term basis, as the Sykes Committee had only made short-term recommendations for the development of a broadcasting service and the BBC had been licensed only until 1926. Reith was invited by this committee to present his views about the scope and conduct of broadcasting. He advocated for the public service role of broadcasting and insisted on the desirability of the conduct of broadcasting as a public service. His statement focused on the potentials of broadcasting generally and not on the British Broadcasting Company specifically. Reith preferred to change the status of the BBC, which originally had been brought into existence by a combination of manufacturing interests, into a corporation in the public sector under the authority of the state. A public corporation, he believed, would give broadcasting a greater degree of freedom and independence in pursuit of the ideals of public service. His argument won the support of Post Office officials in charge of broadcasting policy. The Crawford Committee recommended the private company be replaced by a 'Public

Commission operating in the National Interest'.<sup>44</sup> Upon publication of the committee's report, the Postmaster-General decided to accept its main recommendations. In 1926, therefore, the British Broadcasting Company closed, and the British Broadcasting Corporation opened. Reith became its first director-general.

The BBC's transformation into a corporation coincided with the British government's management of all scarce resources and essential services at that time. The view that public corporations were the most effective and socially acceptable instruments for managing certain sectors of the economy was supported by existing shortages resulting from Britain's participation in the First World War. First, the Forestry Commission was established in 1919 to address a serious timber shortage. Second, the Central Electricity Board became active in 1926, concurrent with the changes to the BBC's status. Both the BBC and the Central Electricity Board were placed under the control of public corporations in part because of the evident confusion and the contradictory interests within the respective industries.<sup>45</sup> Herbert Morrison, originator of the London Transport Bill, saw in the type of public corporation represented by the Transport Board a 'combination of public ownership, public accountability and business management for public ends'.<sup>46</sup>

The management of resources by public corporations more closely characterises a socialist economy than a capitalist one. Indeed, some considered public corporations to be the foundation of a future socialist economy. Hugh Dalton, who became Chancellor of the Exchequer in the 1945 Labour government, described the BBC as 'on its financial side a socialist model' in an article on public corporations written in the 1930s.<sup>47</sup> In a study of the public corporation in Britain, he wrote that transportation, broadcasting and electricity shared certain general characteristics that made them eminently appropriate for management by a public corporation, and asserted that these resources could not be handed

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<sup>44</sup> The name proposed by the committee was the British Broadcasting Commission. Crawford Committee, *Report of the Broadcasting Committee* (Cmd. 2599) (London: HMSO, 1925), pp.14-16.

<sup>45</sup> Hood, *op. cit.*, p.55.

<sup>46</sup> *Ibid.*, p.56.

over to completely unregulated private enterprise.

The BBC's monopoly lasted until 1954 when ITV was launched. A pilot television service began in 1936. Though television broadcasts were suspended during the war and were not resumed until 1946, radio services continued throughout. The BBC's wartime radio services were a trusted and welcomed source of comedy and entertainment, as well as reliable and impartial news.<sup>48</sup> According to Crisell, the BBC tried to tell the truth as far as it could, rather than create propaganda, under the circumstances that it could not tell the whole truth as its sources of information were limited and national security sometimes called for the suppression of certain facts.<sup>49</sup> It consciously eschewed lies and distortions and thus gained the public's trust. By the end of the war people placed much more trust in the BBC as its willingness to tell unpleasant truths meant that it could not be closely associated with the government as, fairly or unfairly, it had been in pre-war years. The war years were of significance for the BBC in securing for the BBC the public's esteem and its position as 'voice of the nation'.<sup>50</sup> The BBC came to have a considerable influence on the social, cultural and political affairs of the nation after the war.

## **2.2 Reith and the principles of public service broadcasting**

British broadcasting was based on the principles of public service. It is therefore misleading, Scannell argues, to present the British system as a mixture of public service and commercial broadcasting, represented respectively by the BBC and ITV (Independent

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<sup>47</sup> Ibid., p.56.

<sup>48</sup> Lucy Küng-Shankleman, *Inside the BBC and CNN: Managing Media Organisations* (London: Routledge, 2000), p.69.

<sup>49</sup> Andrew Crisell, *An Introductory History of British Broadcasting* (London: Routledge, 1997), p.61-2.

<sup>50</sup> From the perspective of Korean broadcasting, it is significant that this was probably only possible because the BBC was perceived to be a public body rather than a mouthpiece of the state even in wartime when its role as a mouthpiece of the state could be justified in the name of patriotism.

Television), the national supplier of commercial television.<sup>51</sup> The provisions under which commercial broadcasting was established by government made it part of the public service system from its inception. Commercial broadcasting was also viewed as serving a public function and was required to meet the same regulatory standards as public service broadcasting. This greatly contributed to Britain's high standards of quality programming in all genres.

Hearst explains that the forming of Britain's own broadcasting system was attended by two other factors: British disapproval of American broadcasting practices and its distrust of 'commercialism'.<sup>52</sup> British engineers, legislators and civil servants characterised the many stations that were permitted in the United States from its early stages of broadcasting as disordered. American broadcasting practice was not to their taste. The tone for this disapproval can be found in the Postmaster General's reply to a Parliamentary Question in April 1922:

It would be impossible to have a number of firms broadcasting. It would result in the sort of chaos, only in a much more exaggerated form than that which arises in the United States, which had compelled the United States, or the Department over which Mr Hoover presides and which is responsible for broadcasting, to do what we are now doing at the beginning, that is, to lay down very drastic regulations indeed for the control of wireless broadcasting.<sup>53</sup>

This unfavourable perception of American broadcasting practice formed the basis of the strict regulatory system governing British broadcasting. Also influencing the development of the British broadcasting system was a widespread distrust of commercialism. Even the broadcasting equipment manufacturers, who were each shareholders in the British

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<sup>51</sup> Scannell, op. cit., p.17.

<sup>52</sup> Stephen Hearst, 'Broadcasting Regulation in Britain', Jay Blumler (ed), *Television and the Public Interest* (London: Sage, 1992), pp.62-63.

<sup>53</sup> Ibid., p.62.

Broadcasting Company, expected their profits to come from the sale of receivers, and not in any shape or form from the programmes.<sup>54</sup> This contrasts with the fact that American broadcasters participated in programme sales by composing networks and introducing advertising to make profits in the mid-1920s, when the sales of wireless sets was slow to progress.

Reith developed a clear vision of the role and responsibilities of public service broadcasting. For him, the public service aspects of broadcasting had four facets.<sup>55</sup> First, and not least important, broadcasting was not to be a profit endeavour. Broadcasting must therefore be freed from commercial pressures. Programme services, Reith believed, would be compromised by commercial considerations and the need to appeal to popular demand if broadcasting was not free from profit-oriented industry. The second facet of broadcasting as a public service was its national coverage. Because profit was not the criterion, broadcasting could and should serve everybody in the community who wished to listen. The third facet was 'unified control'. Reith had made this point when appearing before the Sykes Committee. Whereas the charge of 'monopoly' had been contested by the representatives of the BBC, he openly and shamelessly admitted its existence and even argued that 'on diverse technical grounds one cannot conceive any other system'.<sup>56</sup> The fourth facet of public service was the maintenance of high standards, the provision of the best and the rejection of the hurtful.

As we conceive it, our responsibility is to carry into the greatest possible number of homes everything that is best in every department of human knowledge, endeavour, and achievement, and to avoid the things, which are, or may be, hurtful. It is occasionally indicated to us that we are apparently setting out to give the public what we think they need - and not what they want, but few know what they want,

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<sup>54</sup> Ibid., p.62-63.

<sup>55</sup> Asa Briggs, *The History of Broadcasting in the United Kingdom: The Birth of Broadcasting 1896-1927* (London: Oxford University Press, 1961), pp.235-39.

<sup>56</sup> Ibid., p.236-37.

and very few what they need.<sup>57</sup>

Reith believed that broadcasting should lead public taste rather than follow or pander to it. For him, simply responding to public taste was not the job of a broadcaster. He thought that the BBC's task was to train its audience to digest material it might not otherwise attempt, to provide a service somewhat ahead of what the public would demand were it able to articulate its demands.<sup>58</sup> Reith's enlightening philosophy on broadcasting, regarded by some as distinct elitism, was related to the ideal of 'service' embraced by the Victorian middle class, and identified by Raymond Williams as one of its greatest achievements and one that was deeply influential on later generations.<sup>59</sup> The Victorian reforming ideal of service was spurred by a sense of moral purpose and of social duty to the community, and directed particularly to those most in need of reforming - the lower class. It was institutionalised in the bureaucratic practices of the newly rising professional class of the late nineteenth century, whose members thought themselves to be public servants. Though this passion did nothing to change the balance of power in this society or the dominance of the middle class over the lower ranks, it came from a genuinely humane concern to lighten the harsh consequences of a newly industrialised society.

One strand of such concern for the conditions of the lower class was aimed at their educational and cultural needs. A key figure in this development was Matthew Arnold, a Victorian poet and writer, whose definition of culture as 'the best that has been thought and written in the world' was echoed by Reith in his advocacy of public service broadcasting.<sup>60</sup> Arnold thought of culture as a means of soothing the strain and hostility between classes in a deeply divided society, and this task of civilising the masses had a prudent political basis. Victorian ideals of service threaded with Arnoldian conceptions of culture permeated all

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<sup>57</sup> John Reith, *Broadcast Over Britain* (London: Hodder & Stoughton, 1924), p.34; Cited in McDonnell, op. cit., pp.11-12.

<sup>58</sup> Küng-Shankleman, op. cit., p.70.

<sup>59</sup> Paddy Scannell and David Cardiff, *A Social History of British Broadcasting 1922-1939: Serving the Nation* (Oxford: Blackwell, 1991), p.9.

<sup>60</sup> *Ibid.*, p.9.

aspects of the BBC's programme service in the thirty years of its monopoly.

The Christian faith was another factor to shape Reith's philosophy of broadcasting. He was the son of a Scottish Presbyterian minister and his inherited Calvinism was clearly expressed in his attitude to broadcasting.<sup>61</sup> He thought his appointment as managing director of the BBC to be a calling from God, and regarded the BBC as a fit instrument for the Divine purpose. In his *Broadcast Over Britain* he wrote a chapter on religion in which he stated at the outset that the BBC had developed 'a definite, though restrained, association with religion in general, and with the Christian religion in particular'.<sup>62</sup> He applied his religious code of ethics to the BBC and during his term of office the 'high moral ground' was constantly evident.<sup>63</sup>

By the time television services were launched in 1936, Reith had made more complete his public service broadcasting ideal.<sup>64</sup> That programmes should compel and elevate those who listened was his guiding principle. Viewing should be a worthwhile experience, one that could enhance the viewer's quality of life. The BBC would have to provide easily digestible information and serve as a means of relaxation for the lower classes, but it should aim to challenge its other audiences with more demanding material, programmes which would broaden their cultural horizons and even question their basic assumptions.<sup>65</sup> Though Reith resigned in 1938, his philosophy of the role and accountability of public service broadcasting shaped not only the BBC but also other public service broadcasting peers worldwide.

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<sup>61</sup> McDonnell, op. cit., p.11.

<sup>62</sup> Briggs, 1961, p.241.

<sup>63</sup> Hearst, op. cit., p.63.

<sup>64</sup> Küng-Shankleman, op. cit., p.70.

<sup>65</sup> This social and cultural mission is interesting from the Korean approach to broadcasting in the same period which is more apparently to do with opinion formation and social engineering.

### 2.3 The change in the idea of public service broadcasting

According to McDonnell, the history of public service broadcasting in Britain is that of the development and modification of Reith's founding principles in changing cultural, social, political, economic and institutional circumstances.<sup>66</sup> He divides the process of change into five phases. The first is the period between 1924-46, categorised as the Reithian era, in which Reith's requirements of broadcasting, like public service, national coverage, monopoly, and high quality programming, were stated principles. His original vision was drawn from the tradition of the Scottish enlightenment and, within the very narrow limits which the economic and political forces of the time allowed him to operate, the early practice of the BBC made a noble effort to address their listeners as rational beings rather than as consumers.<sup>67</sup>

The second phase begins in 1946, the end of the Second World War, and extends to 1954 when ITV was established. In this period the BBC enhanced its reputation as a provider of reliable journalism, but its monopoly, which had been regarded as the logical basis for the public service and public ideals which broadcasting should provide, was questioned. Reith's defence of monopoly could not stand up against demands for more freedom of choice. With the passing of the 1954 Television Act, commercial television was established and the BBC monopoly was broken. The Act set out the duties and responsibilities of the Independent Television Authority, a public corporation established to regulate commercial stations. The new broadcasters were required to comply with the Authority's provisions, designed to enforce the main public service principles already adopted by the BBC.

The third phase is the period of public service and commercial television between 1954-63. ITV went on air in 1955 and proved to be a formidable challenge to the BBC. ITV concentrated on entertainment, setting as its programming policy the provision of a popular

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<sup>66</sup> McDonnell, *op. cit.*, p.1.

<sup>67</sup> Garnham, *op. cit.*, p.45.

alternative to the elitist fare provided by the BBC. The BBC's share of the audience fell to fewer than 30% within the first two years of ITV's introduction. The BBC, which was under obligation to improve its audience share to justify its receipt of licence fees, had to broaden its notion of public service broadcasting to include some of the populist elements it had resisted for so long. Ian Jacob, BBC Director-General between 1952-59, argued that the BBC tradition of public service could only survive if it adapted to the changing public mood. He encouraged entertainment programmes on the grounds that the people themselves were changing. For Jacob, public service meant extending programme choices for listeners and viewers without attempting to guide or direct their taste.<sup>68</sup> He considered the audience as a set of different publics, each with its particular interests and tastes, not as one unified block. Jacob's populist programme policy caused considerable complications inside and outside of the BBC. In the meantime, the Pilkington Committee was set up to examine the impact of commercial television and compare its programme service with that of the BBC. ITV was criticised for its triviality and lack of public service mission while the BBC was praised for its awareness of television's potential to fall into triviality. The ITA was severely judged for equating quality with box-office success, and was condemned for its inability to understand the nature of quality or of triviality, or the need to maintain one and counter the other. The Committee forced the ITV back from mainly popular programming to their public purpose remit and attempted to establish criteria for good broadcasting. In 1962 the Pilkington Report defined the concept of public service broadcasting as providing 'a service comprehensive in character, with the duty of a public corporation of bringing to public awareness the whole range of worthwhile, significant activity and experience developed in society'.<sup>69</sup>

To give the public what it wants is a misleading phrase because it commonly has the appearance of an appeal to democratic principle, but the appearance is deceptive. It is in fact patronising and arrogant, in that it claims to know what the public is but

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<sup>68</sup> McDonnell, *op. cit.*, p.35-36.

<sup>69</sup> Pilkington Committee, *Report of the Broadcasting Committee 1960* (Cmnd. 1753) (London:

defines it as no more than the mass audience, and it claims to know what it wants, but limits its choice to the average of experience.<sup>70</sup>

The document restated the Reithian principles of public service broadcasting. In the aftermath of Pilkington, a third television channel was awarded to the BBC and a new Television Act was enforced to bring commercial television fully into the public service framework.

The fourth phase is the emergence of the public service and commercial duopoly (1963-79). In 1965 Hugh Greene, BBC director-general, expressed his views that the main task of the BBC was to 'encourage the examination of views and opinions in an attitude of healthy scepticism'.<sup>71</sup> He emphasised that public service broadcasting held up tolerance as a way to challenge established attitudes and views, which had been accepted too easily or for too long. His conception of public service was completely opposed to the Reithian emphasis on avoiding anything, which might be 'hurtful'. Charles Curran, who succeeded Greene, did not confront established opinion nor return simply to Reithian precepts. He attempted to establish the BBC as an impartial arbiter in the field of journalism, and as the provider of choice rather than provoker of change in its general programming. Commercial television was required to meet the public service obligations of the 1963 Television Act. The Independent Broadcasting Authority (formerly the Independent Television Authority) exerted its greater influence on commercial broadcasters. By the early 1970s, the IBA was working hard to establish commercial broadcasting as a public service.

By the mid-1970s the terms in which the role of broadcasting in society was discussed had changed again, and a new committee on the future of broadcasting was established. The committee, chaired by Lord Annan, recognised the difficulties of preserving a concept of

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HMSO, 1962), p.6.

<sup>70</sup> Ibid., p.17.

<sup>71</sup> Sir Hugh Greene, *The Third Floor Front: A View of Broadcasting in Sixties* (London: Bodley Head, 1969); cited in McDonnell, op. cit. pp.50-51.

public service in a pluralistic society. Though Reith insisted that public broadcasting should rely on a moral and general consensus, belief in a general consensus seemed almost impractical in the mid-1970s. The report stated that ‘the ideals of middle class culture so felicitously expressed by Matthew Arnold a century ago ... found it ever more difficult to accommodate the new expressions of life in the sixties’.<sup>72</sup> It abandoned the assumption of commitment to an undivided public good and replaced it with a new principle of pluralism.

Pluralism has been the leit motiv of all of us in this report.<sup>73</sup>

The committee wanted to create a forum for the expression of many views, particularly of the minority and social groups whose needs and interests were not adequately served under the existing arrangements. It therefore recommended that the available fourth television channel go to neither of the existing authorities but should be given to an independent Open Broadcasting Authority to develop a service that catered to all those interests currently underrepresented or excluded in the output of the BBC and ITV. Following the themes of Anthony Smith<sup>74</sup>, the committee described the OBA as follows:

The OBA should operate as a publisher and its obligations should be limited to those placed upon any other publisher. Like any other Authorities, the OBA would have to see that an overall balance was achieved in its programmes over a period of time, but we should like to see this done in new and less interventionist ways. We recommend that the Authority should have the maximum freedom which Parliament is prepared to allow.<sup>75</sup>

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<sup>72</sup> Annan Committee, *Report of the Committee in the Future of Broadcasting* (London: HMSO, 1977), para.2.26.

<sup>73</sup> *Ibid.*, para.9.31.

<sup>74</sup> Anthony Smith, former BBC producer and then media academic, proposed a National Television Foundation as a framework for the fourth channel. He suggested that it would play an impresario role, merely allocating resources to some but fitting producers, writers, technicians to others who arrive only with an idea, a grievance, and a cause.

The committee proposed the OBA in the interests of plurality, as a kind of publisher-broadcaster commissioning programmes from a wide variety of sources. In 1978 the government announced its intention to allocate a fourth channel. In the following year, it announced that the channel should begin broadcasting in November 1982 and be administered by the OBA.

The next is the phase of public service broadcasting under threat. This began with the Conservative victory at the general election of 1979. Immediately after the general election the government drafted and implemented the 1981 Broadcasting Act. By the act, the Conservative government introduced the spirit of pluralism of Annan but did not follow the proposal to set up a truly independent regulating body, the OBA. It gave the new channel to the IBA. By January 1981 the new channel had taken shape as Channel Four Television Company Ltd. The new Channel Four, thus under the overall direction of the IBA and the marketplace, would decide whether innovations like Channel Four were to survive.<sup>76</sup> Channel Four did mark a break of the duopoly of the BBC and ITV. In addition to this, the established broadcasting arena changed substantially with the emergence of cable television and satellite broadcasting. These technological developments forced a reassessment of the roles of regulatory authorities and public corporations. In 1982, the Hunt Committee argued that cable television must be less strictly regulated as a supplement to public service obligations, and should not be treated as another branch of public service broadcasting. The Cable Authority, with a much looser regulatory mandate, was eventually set up by the Cable and Broadcasting Act of 1984. By this means, the basic assumption that public service ideals should extend across the whole range of broadcasting output was abandoned.

While controversy about the future of public service developed, the Broadcasting Research Unit, an independent research institute, published a booklet on the principles of public

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<sup>75</sup> *Ibid.*, para.15.20.

<sup>76</sup> Stuart Price, *Media Studies* (2<sup>nd</sup> edn)(Essex: Pearson Education Limited, 1998), p.329.

service broadcasting. The eight principles identified by the BRU were as follows.<sup>77</sup>

(1) Geographical universality - broadcast programmes should be available to the whole population. Public service broadcasting is to provide its programmes to everyone within the community who wishes to receive them. Under public service principles, no one is disenfranchised by distance.

(2) Universality of appeal - broadcast programmes should cater to all interests and tastes. Public service broadcasting rejects the focusing of programme provision on the mass audience as well as the limiting of provision catering for existing tastes only. Public service broadcasting is required to provide programmes of a wide range and diversity, which explore and extend the possibilities of the medium and stimulate new ideas and talent, over a reasonable span of time for practically all kinds of taste, for large groupings and small.

(3) Minorities, especially disadvantaged minorities, should receive particular provision. Public service broadcasting has to pay special regard for the needs and interests of minorities.

(4) Broadcasters should recognise their special relationship with their sense of national identity and community. Public service broadcasting is to contribute towards the construction and maintenance of a common national culture. It should be given the responsibility to broadcast events of genuinely national interest and help to maintain a sense of national identity.

(5) Broadcasting should be distanced from all vested interests, and in particular from those of the government of the day. The regulatory system of British broadcasting, via the BBC's Charter and Governors, and the IBA's Act and Authority members, has been one of the most important instances of the arm's-length principle ensuring broadcasting independence.

(6) Universality of payment - one main instrument of broadcasting should be directly funded by the corpus of users. No other system can match the flexibility or the democratic fairness of the universal payment as the one key element in the landscape of broadcasting.

(7) Broadcasting should be structured so as to encourage competition in good programming

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<sup>77</sup> *The Public Service Idea in Britain Broadcasting- Main Principles* (London: Broadcasting Research Unit, 1985).

rather than competition for numbers. The primary purpose of broadcasting as a public service must be the making of programmes which are good in their own terms at all levels, in all aspects and over as wide a range as possible.

(8) The public guidelines for broadcasting should be designed to liberate rather than restrict the programme maker. The regulations for broadcasting should be intended more to encourage programme makers to experiment and innovate, rather than to discourage.

These principles were more definite and consistent than those presented in the Broadcasting Acts and the BBC Charter to date. Thus they were used as a baseline in the following broadcast committees.

The Peacock Committee was set up in 1985 to inquire into BBC finances. The committee discussed the BRU document and considered it as a workable definition of public service broadcasting, but there were remarkable differences between the committee's conclusions and those of the BRU. The Peacock Committee was quite different in its approach than its predecessors. While previous committees had considered broadcasting in social, cultural, and political terms, the Peacock Committee applied a stringent economic approach and in doing so shifted the terms and emphasis of the debate.<sup>78</sup> Peacock thought of broadcasting as a commodity, a marketable good for consumers like any other, and set, as the committee's task, the establishment of consumer sovereignty in broadcasting through a market system. He saw public service as a kind of residue of commercial broadcasting, a producer of those programmes the market-based broadcasting system would have little incentive to supply.<sup>79</sup>

The members of the committee appeared to think that established broadcasting principles could be supported through the market rather than simply by relying on public service traditions.<sup>80</sup> The committee argued that British broadcasting should move towards a sophisticated market system based on 'consumer sovereignty', a system which 'recognises

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<sup>78</sup> Scannell, *op. cit.*, p.21.

<sup>79</sup> McDonnell, *op. cit.*, p.7.

that viewers and listeners are the best ultimate judges of their own interest'.<sup>81</sup> It used also the notion of 'consumer welfare', which could be achieved through the provision of a 'considerable range of broadcast programmes'. The committee thus adopted an operational definition of public service, which implied 'a multiplicity of programmes which could in principle be provided by programme makers who would make contracts with some statutory body to implement public service obligations in return for grants'.<sup>82</sup> The committee recommended that in the longer term the licence fee should be abolished and the BBC thereafter be funded by subscription income. Subscription was held to provide a more direct link between broadcasting output and the preferences of the public. But in the short term the committee recommended the retention of the licence fee, and rejected the introduction of advertising on the BBC on the grounds that the viewer or listener would have no benefit from it. The committee advocated a free-market approach but rejected the 'commercial laissez-faire model', which is based on a small number of broadcasters competing to sell audiences to advertisers.<sup>83</sup> Despite its market liberalism, the Peacock Committee came down in favour of some measure to control the complete play of the market which would not deliver some of the goods which citizens require as a right of citizenship.

The Peacock Report was a turning point in British broadcasting policy. It placed public service second to commercial considerations, a marked reversal in the context of the public service commitment previously asserted. Public service broadcasting would no longer be the definitive feature of the British system.<sup>84</sup>

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<sup>80</sup> Price, op. cit., p.325-6.

<sup>81</sup> Peacock Committee, *Report of the Committee on the Financing of the BBC* (Cmnd. 9824) (London: HMSO, 1986), para. 592.

<sup>82</sup> Ibid., para. 593.

<sup>83</sup> Ibid., para. 596.

<sup>84</sup> Scannell, op. cit., p.22.

### **Chapter III. Public service broadcasting in transition: the BBC in the Thatcher years**

British broadcasting entered a new stage in the 1980s. Its public service framework shifted fundamentally and broadcasting policy was discussed from an industrial angle rather than a cultural or educational one. Competition and choice were considered paramount to any public service commitment. The 1990 Broadcasting Act for the most part embraced the recommendations of the Peacock Committee and the Conservative government continued to challenge the need for public service broadcasting. The BBC, under constant pressures, repositioned itself as a participant in the new free-market broadcasting environment.

#### **3.1 Thatcherism: pressures for change**

Following the 1979 general election, the Conservative Party took power and Margaret Thatcher became Prime Minister. Her style of leadership and the policies she promoted came to be known as Thatcherism,<sup>85</sup> the concept coined to describe her anti-socialist agenda, at odds with previous Labour governments, and her goal to accelerate the evolution of the British economy from statism to liberalism. State intervention was castigated as inimical to the development of private initiative and enterprise.<sup>86</sup> Thatcher strengthened the powers of central government, curbed the powers of trade unions and local governments, and actively promoted individualism and private enterprise. She argued:

Conservatives should aim to reduce the range of government decision-making and restore greater individual choice. What we need now is a far grater degree of personal responsibility and decision, for more independence from the government,

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<sup>85</sup> Keith Joseph(1918-1994), a member of the British Conservative Party, was one of the architects of Thatcherism, the movement from Keynesian demand management to Friedmanite free-market monetarism. John Biffen, 'Keith Joseph: Power Behind the Throne', *Guardian* (12 December 1994).

<sup>86</sup> Michael Bleaney, 'Conservative Economic Strategy', Stuart Hall and Martin Jacques (eds) *The Politics of Thatcherism* (London: Lawrence and Wishart, 1983), p.136.

and a comparable reduction in the role of government.<sup>87</sup>

Her governments also privatised previously nationalised industries- airlines, gas, coal, steel and telecommunications. For Thatcher, the public sector was inefficient, in need of reform using free market principles and the BBC became symbolic of these inefficiencies. Throughout Thatcher's leadership, particularly in her second term (1983-87), the BBC was at the centre of Conservative broadcasting reform policy. Thatcher saw the BBC, like so much of the public sector, as over-manned, dominated by trade unions and hopelessly unbusinesslike.<sup>88</sup> Consequently, she promoted rapid change there.

Broadcasting policy under the Thatcher government was markedly different than that of its predecessors. The Hunt Report of 1982 recommended that the new cable systems be funded commercially and be unencumbered by public service programming obligations. This marked the first significant break from the tradition of establishing new radio and TV services as public service broadcasters, a tradition which had shaped British broadcasting policy since the 1920s.<sup>89</sup> In 1981, the BBC was encouraged to participate in direct broadcasting by satellite as part of the government's industrial strategy, using market mechanisms such as advertising, sponsorship and subscription, rather than public money in the form of additional licence fee incomes or grants. All of this clearly indicated the future direction of broadcasting policy, and in particular the future of the BBC.

Laissez-faire economists and right-leaning think tanks played an important role in shaping the broadcasting policy of the Thatcher government. Cento Veljanovski, an expert on the economics of cable and broadcasting, advised the Thatcher administration and advocated introducing more market forces into the broadcasting system. He argued that technology

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<sup>87</sup> Cited in Dennis Kavanagh, *Thatcherism and British Politics* (2<sup>nd</sup> edn) (Oxford: Oxford University Press, 1990) p.10-11.

<sup>88</sup> Chris Horrie and Steve Clarke, *Fuzzy Monsters: Fear and Loathing at the BBC* (London: Mandarin, 1994), p.14.

<sup>89</sup> Tom O'Mally, *Closedown?: The BBC and Government Broadcasting Policy, 1979-1982* (London: Pluto, 1994), p.6.

generated a momentum for change, which no government could stem or control. His argument developed into a doctrine which was reiterated throughout the discourse of the Thatcher administration's term. Arguments of this kind were repeated in official publications like the Peacock Report and the White Paper on Broadcasting of 1988. The government emphasised the centrality of technical change to policy development. The Minister of State at the Home Office argued in 1988 that the government should 'create a framework within which enterprise, opportunity and consumer demand will determine what is available'.<sup>90</sup> This argument for a market-driven framework corresponded with those of Veljanovski and others. Veljanovski expressed the antistatist argument in 1989 when he attacked the BBC:

The BBC must accept that its tenure as the dominant and protected broadcaster is running out. It must develop a strategy for the orderly withdrawal from the centre stage and accept that what the market does, a protected tax financed broadcaster has no business doing.<sup>91</sup>

Thatcher governments also used think tanks to form and shape policy. Think tanks such as the Centre for Policy Studies (CPS), the Institute of Economic Affairs (IEA) and the Adam Smith Institute (ASI) developed conservative economic and social strategies and acted as focal points for the discussion of conservative ideas.

The CPS was founded in 1974 by Margaret Thatcher and Keith Joseph. It developed and published public policy proposals on policy issues such as privatisation, trade union reform and free trade as an independent think tank on behalf of the Conservative Party. The Centre based its policy proposals on a set of core principles, including the value of free markets, and the importance of individual choice, individualism and liberty. It published work by

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<sup>90</sup> Nigel Lawson, *The View From No.11: Memoirs of a Tory Radical* (Bantam Press, 1992), p.721; Cited in O'Mally, op. cit., p.14.

<sup>91</sup> Cento Veljanovski(ed.), *Freedom in Broadcasting* (London: Institute of Economic Affairs, 1989); Cited in O'Mally, op. cit., p.18.

economic commentator Samuel Brittan, who later served on the Peacock Committee. Alfred Sherman, a key figure at the Centre and a close associate of Thatcher, argued in 1986 that the BBC was too big for one person to control and that it had become 'a part of an oligopoly cushioned from public disapproval'.<sup>92</sup> These views reflected the Centre's hostility towards the public sector and Thatcher's determination to reform broadcasting.

The IEA is a free-market think-tank, founded in 1955. Its core free-market belief is that people should be free to do what they want as long as they don't harm anyone else, and society's problems and challenges are best dealt with by people and companies interacting with each other freely without interference from politicians and the state. Therefore, governmental interference should be kept to a minimum. Thatcher appointed a supporter of this institute, Alan Peacock, to chair the broadcast committee on the financing of the BBC (Peacock Committee) in 1985. In the 1960s and 1970s the IEA published a number of analysis papers on broadcasting policy which advocated competition and choice. In 1965 it published Sidney Caine's case for subscription television, *Paying for TV*. Veljanovski, a member of the IEA and an adviser to the Peacock Committee, claimed that Caine's book 'formed the cornerstone of Professor Alan Peacock's influential Report to the Government on broadcasting'.<sup>93</sup> By the 1980s the IEA was making a serious impact on broadcasting policy. IEA writers such as Veljanovski and Bishop were highly critical of the existing broadcasting system on the grounds that it excluded the market. They insisted that a deliberate policy to ration television and place it in the hands of one public monopoly and a number of regional private ones directly resulted in the high cost structure of British TV, and they argued in favour of deregulation. The deregulation of broadcast TV was 'not simply to privatise it but to ensure that costs of current restrictions are justified and that pay-TV becomes more competitive'.<sup>94</sup> These arguments were to frame much of the subsequent debate on the future of the BBC and ITV and formed the basis of the main

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<sup>92</sup> O'Mally, op. cit. p.16.

<sup>93</sup> Ibid., p.17.

<sup>94</sup> C. Veljanovski and W. Bishop, *Choice by Cable* (London: Institute of Economic Affairs, 1983); Cited in O'Mally, op. cit., p.18.

recommendations in the Peacock Report, the 1988 White Paper and the 1990 Broadcasting Act.

The Adam Smith Institute, another right-wing think tank, was also beginning to exert a major influence on Conservative policy. Critical of public sector economies, its main focus was the introduction of choice and competition by extending the influence of the markets. In 1984, the institute published a radical paper entitled *The Omega Report: Communications Policy*, which attacked both the IBA and the BBC. The document argued that the licence fee system was flawed because 'there is no relationship between the viewer's satisfaction and the revenue that the BBC receives'.<sup>95</sup> Instead, the document proposed that the BBC should be split into separate units which would be financed by either advertising, sponsorship or direct charging for services. It also proposed that the ITV franchises should be auctioned to the highest bidder rather than being allocated by a regulatory body on the grounds of quality and service. These ideas were used extensively by critics of the BBC, including Thatcher, and influenced the deliberations of the Peacock Committee.

The relationship between governments and the BBC had not always been good, but it deteriorated so seriously in the Thatcher years that it could only be described as hostile. Tensions resulted from long-standing Conservative criticisms of the BBC, in particular, Thatcher's personal distaste of the corporation. Shortly before the 1979 election, a close colleague and campaign organiser, Airey Neave, was blown up in his car by the Irish National Liberation Army. A few weeks later, *Tonight*, a BBC news programme, aired an interview with an INLA spokesman. Thatcher denounced the broadcast and demanded an explanation from the BBC chairman. For her, the BBC's attempts to report the troubles in Northern Ireland objectively was unacceptable. Instead, she thought the BBC should act as a contributor in the war against terrorism. In 1982 Thatcher also attacked the BBC's treatment of the Falklands War. She regarded much of its coverage, particularly the use of

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<sup>95</sup> Cited in O'Mally, op. cit., p.20.

the term 'the British troops' rather than 'our troops', as insufficiently patriotic and almost treasonable. BBC's editorial guidelines told reporters not to refer to British troops as 'our troops' only to avoid the misinterpretation of the phrase as 'BBC troops', given that BBC radio routinely used phrases like 'our correspondent in Buenos Aires'.<sup>96</sup> In presenting itself as an impartial news source, the BBC examined the case for and against a military solution. The corporation's position caused a clash with the government in 1985. The BBC was about to air a programme entitled *At the Edge of the Union*, which featured two leading protagonists in Northern Ireland. The government asked the BBC chairman to cancel its broadcast on the grounds that terrorism thrives on the oxygen of publicity.<sup>97</sup> Since then the tension between the BBC and government had increased and Thatcher's determination to change the BBC became more resolved.

Thatcherism, which centred on libertarian, free-market values, changed the foundations on which the British broadcasting system was based. Broadcasting, and in particular the BBC, was under constant pressure to change. Thatcher exerted influence to change the BBC fundamentally through right leaning policies. Consequently, it was forced to live under the cloud of possible privatisation. Over time, Thatcher replaced the governors and senior management of the BBC in order to alter its politics and goals from within.

### **3.2 The change in BBC management**

The real innovation of Thatcherism is the way it has linked traditional Conservative concern with the basis of authority in social institutions and the importance of internal order and external security, with a new emphasis upon re-establishing free markets and extending market criteria into new fields.<sup>98</sup>

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<sup>96</sup> Horrie and Clarke, op. cit., p.11.

<sup>97</sup> Barnett and Curry, op. cit., p.30.

The BBC is led by a director general, acting as both chief executive and editor-in-chief. Twelve governors appoint the director general and his or her senior management. The governors are appointed by the Queen in Council, acting on the advice of the Prime Minister. The government of the day, therefore, can exert influence on the BBC through the appointment of governors for five-year terms and with two other levers: annual licence fee levels and the renewal of the BBC Charter. Governor appointments had always been influenced by political patronage, but no government before Thatcher's had stayed in power long enough to see through a virtually complete cycle of appointments.

Thatcher wielded the power to appoint governors, while at the same time framing policies to radically change the BBC. Historically, as vacancies occurred, the government had tried to keep a reasonable political balance on the Board.<sup>99</sup> This tradition was abandoned in the Thatcher years. Those appointed between 1981 and 1990 tended to reflect 'right-of-centre Toryism'.<sup>100</sup> In 1981, three vacancies were filled by individuals of a distinctly Conservative hue. Stuart Young was an accountant whose brother, David, was a Conservative enthusiast and Thatcher's close political ally. Jocelyn Barrow was considered an establishment figure irrespective of her earlier anti-establishmentarian career. William Rees-Mogg, the new Vice-Chairman, was a known Conservative supporter. He had edited *The Times* for fourteen years, played a role in giving the free-market logic of the IEA a wide hearing in the 1970s, and had publicly embraced Thatcherite causes, particularly the counter-inflationary monetary policies.<sup>101</sup> He criticised BBC management during his vice-chairmanship and continued to do so after retirement. In 1986, he again attacked the BBC, using the Thatcherite rhetoric of 'enterprise': 'The large BBC bureaucracy lacks anything one could call an enterprise culture. Indeed it has a bias against commercialism, except in terms of the quasi commercial pursuit of television ratings'.<sup>102</sup>

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<sup>98</sup> Hall and Jacques (eds), op. cit., p.113.

<sup>99</sup> Steven Barnett and Andrew Curry, *The Battle for the BBC* (London: Aurum Press, 1994), p.18.

<sup>100</sup> O'Mally, op. cit., p.138.

<sup>101</sup> Barnett and Curry, op. cit. p.19; O'Mally, op. cit. p.140.

In 1982 and 1983 three more Conservative governors were appointed. Malcolm McAlpine was a businessman whose brother was party treasurer. John Boyd, although a trade unionist, had become more right wing with age. Daphne Park had been a senior officer in MI6. Subsequently, there was only one who could be said to be left-of-centre on the board. In 1986, Marmaduke Hussey was appointed Chairman. He was a friend of Mogg, and the two men had worked together at *The Times*. The political nature of his appointment became apparent to Conservative Party chairman, Norman Tebbit. He said in *The Sunday Times* that the appointment was designed to make 'bloody clear' to the BBC that change was demanded.<sup>103</sup> Mogg left the BBC before Hussey came and was replaced by Joel Barnett, a former Labour cabinet minister but hardly a man of the left. As treasury secretary he had introduced an ultra-orthodox financial policy with enormous cuts to public spending. He implemented key elements of the conservative monetarist policy in the public sector before the Conservative Party gained power. The Board of Governors had been 'Thatcherised', and a long-standing tradition, that the chairman and vice-chairman should have different political views, had been broken.

The BBC Charter makes it clear that the Board of Governors represents and governs the BBC, but does not further describe their function. All governors are part-time non-executives. They meet monthly and hold the BBC's managers accountable for their performance in accordance with agreed strategies and objectives. Traditionally, governors had not involved themselves in the day-to-day running of the BBC and had left this task to the Board of Management, composed of the Director General and the most senior managers.<sup>104</sup> However, this practice changed with Hussey's appointment in 1986. Traditionally, when the two boards met together, the members of each board would sit facing each other on either side of the table in Broadcasting House. At his first meeting as chairman, Hussey insisted that the members of both boards be intermingled. This simple act signalled a new spirit of mutual trust and co-operation on the one hand, and foretold of a

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<sup>102</sup> O'Mally, op. cit., p.140.

<sup>103</sup> Barnett and Curry, op. cit., p.39.

much more active and prominent board of governors on the other.<sup>105</sup>

The governors then took an active role in the daily running of the BBC. Hussey saw the chairmanship as a full-time executive job and Barnett insisted, against precedent, on having his own office and secretary. The chairman and vice-chairman were virtually permanent fixtures at Broadcasting House and in 1991 Hussey was appointed for a further five years and Barnett for a further two. The governors also discussed programming decisions, an area in which they had seldom interfered before. They dealt with issues of resources and staff numbers, the very areas in which the Board of Management had most expertise. In October 1992, months before his retirement as Director General, Checkland attacked the governors and chairman at a meeting of the Royal Television Society. He said that the BBC should not have the same Chairman for ten years, and that the governors as a whole were out of touch. He was highly critical of the Vice Chairmanship becoming a full-time executive job. He said, 'I hope that in appointing a Vice Chairman we would revert to previous practice and make clear that this is very much a part-time job with no permanent office and support facilities at Broadcasting House'.<sup>106</sup>

At the BBC, the production career had always been valued most highly. The senior managers had often risen through the ranks first as producers. Alasdair Milne, who had started his career as a production trainee, rose to the post of Director General in 1982. He made his name as a producer of *Tonight*, an acclaimed news magazine programme, in the 1960s. He had moved steadily up the ladder from controller of BBC Scotland to director of BBC Television. However, he became Director General at a bad time. During his period in office, Milne was afflicted with the financial and political pressures of the Thatcher government. He had to face retribution from the Conservative Party in response to such controversial programmes as *At the Edge of the Union*, *Maggie's Militant Tendency*, and *Secret Society*. In 1984, *Maggie's Militant Tendency* enraged the Conservative Party

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<sup>104</sup> The Board of Management was replaced by the Executive Committee in April 2000.

<sup>105</sup> *Ibid.*, p.152.

because of the programme's allegations that the party suffered from an extreme right-wing influence. *Secret Society*, a series of six programmes, also covered various aspects of defence and security. One episode concerned the existence of a British spy satellite, code-named Zircon, and asked why funds to buy it were moved from the defence budget. The governors expressed dismay at the series, so Milne agreed to its ban in December 1986. Even so, he was forced to resign without explanation or discussion in January, with eighteen months remaining in his term, while Hussey met each governor individually and secured their support for this act. Milne's dismissal had a profound effect on BBC's producers in that they lost their will to fight for controversial programmes that served public rather than establishment interest.

'Out went the programme makers and in came the accountants'.<sup>107</sup> Milne's successor, Michel Checkland, had no previous experience in programming. He had joined the BBC as a cost accountant in 1964, and made his name known in 1980 when he delivered a speech entitled 'The Cost of Quality' at a Royal Television Society conference.<sup>108</sup> The lecture detailed the relationship between the cost of making programmes and what viewers saw on screen. It examined how costs per hour of television production, particularly labour costs, which formed 60% of the total, would have to fall as more hours were broadcast and new technology was introduced. Checkland insisted that the BBC would have to increase productivity to find the money needed for its expansion. He expected that there would be an explosion of airtime to fill in the future, and that television companies such as the BBC could not afford to expand staff numbers at the same rate. In large, because of this speech, Checkland was promoted to Director of Resources for BBC television, with a seat on the Board of Management.

After Milne's dismissal, Checkland applied for the Director Generalship with the *Five-Year*

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<sup>106</sup> Horrie and Clarke, op. cit., p.274.

<sup>107</sup> Alasdair Milne, *DG : The Memoirs of a British Broadcaster* (London: Hodder & Stoughton, 1988)

<sup>108</sup> *Ibid.*, p.26; Horrie and Clarke, op. cit., p.43.

*Plan*. The document contained a complete blueprint for the BBC's future, which included containing spending within the income yielded, implementing a bi-media policy, and maximising the commercial exploitation of the BBC's resources. When he was appointed Director General in February 1986, the blueprint became the BBC's first official five-year framework of policy objectives.<sup>109</sup> His full-time appointment had another important implication. For the first time the BBC, devoted to making programmes, had as its leader a man who had never made a programme. It was 'a sign of Thatcherism tightening its grip on the cultural world'.<sup>110</sup> It was also a sign of a profound change in value orientation at the BBC.

Checkland, as Director General, insisted that the BBC was to be run like 'a billion pound business' and licence payers were to be regarded as 'shareholders' in the BBC plc.<sup>111</sup> He introduced a new management initiative, entitled Producer Choice, under the auspices of Hussey, who adopted 'a billion-pound business' as a favourite phrase. Michael Grade deplored this situation at the MacTaggart Lecture in 1992, stating that the BBC had abandoned its heritage the moment Checkland had described it as a billion-pound business. He said: 'The BBC was never meant to be a business. It was set up to be a centre of excellence'.<sup>112</sup> The Producer Choice project, proposed by Checkland, was driven by John Birt.

Birt joined the BBC in March 1986 as a Deputy Director General with responsibility for the BBC's journalism. In the 1970s he had lobbied for the creation of a publisher-broadcaster fourth channel, which would not own production staff and facilities. Previously, he had been a dedicated ratings chaser at London Weekend Television. For the LWT people, Birt's move to revamp the BBC journalism was difficult to understand as he had no track record in daily news production and no experience in radio journalism. However, his appointment

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<sup>109</sup> BBC, *The Five-Year Plan 1988-1993*(Unpublished, 1987)

<sup>110</sup> Barnett and Curry, *op. cit.*, p.54.

<sup>111</sup> Horrie and Clarke, *op. cit.*, p.80.

<sup>112</sup> *Ibid.*, p.226.

was made at Hussey's insistence and he was not asked to attend a formal board meeting or an interview. Hussey phoned the governors and obtained their approval. This unusual appointment process was repeated in 1991, when Hussey persuaded the governors that a job competition was unnecessary. The Director General's job was not advertised, and without competitive interviews or any knowledge of the credentials of other potential candidates, Birt was appointed the Director General-designate to take over in March 1993. Thatcher's memoirs assert that 'the appointment of Duke Hussey, and later of John Birt, as Director General represented an improvement in every respect'.<sup>113</sup>

### **3.3 The change in value orientation: Producer Choice initiative**

Thatcher resigned as Conservative Party leader and Prime Minister in November, 1990. Her replacement was John Major, who considered the BBC more favourably. In early 1991 Britain was once again involved in war, in response to Iraq's invasion of Kuwait. In relation to war reporting, an ex-minister asked the Prime Minister to excoriate the BBC for referring to 'British troops' rather than 'our troops'. In response, Major said that he supported the BBC in its efforts to keep proper balance 'because so much of the world listened to the BBC, and it is important to this country that they continue to do so'.<sup>114</sup> This signalled an end to the hard-line policy towards the BBC of recent years. Thatcher's appointments, however, continued to affect the BBC. The new management was led by a full-time chairman she had approved. The language and ethos she had proclaimed gradually permeated throughout the BBC. The rhetoric of markets, efficiency, and enterprise would have latent influence on the organisation, changing its working practices, culture, and value orientation. This was to be the real influence of Thatcher on the BBC. As the pressures from the government lessened, 'the new threat to the BBC's survival turned out to come

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<sup>113</sup> James Curran and Jean Seaton, *Power Without Responsibility* (5<sup>th</sup> edition) (London: routledge, 1997), p.218.

<sup>114</sup> Barnett and Curry, op. cit., p.149.

from within'.<sup>115</sup>

In 1991 management announced a plan to introduce an internal market into the BBC, called Producer Choice. A trading system based on a buyer/seller relationship, Producer Choice fundamentally changed the way in which the production of BBC programmes were funded and managed. The plan represents a watershed in the history of the BBC as a public service broadcaster, which never meant to be a business but rather a centre of excellence.

Producer Choice allowed BBC programme makers to buy facilities from inside the BBC or from outside. Designed to improve the cost-effectiveness of resource use, its emphasis on efficiency and best managerial practice was new to the BBC. Even in the early 1980s management had not come before commitment to excellence at the BBC. Management had existed to foster quality and creativity, and disdain towards management had existed among the BBC producers as a defining feature of the BBC culture. When Tom Burns interviewed the top people of the BBC hierarchy in the late 1960s for his research several complained that 'Managers were seen by everyone else as lepers'.<sup>116</sup> According to him, an established tradition of protecting 'creative workers' from the responsibilities and preoccupations of 'administration' had existed.<sup>117</sup> He identified three main attitudes shared by those who worked at the BBC. The first was a commitment to the traditional public service ethos as something that makes a unique contribution to national cultural and social life and that maintains broadcasting standards. The second was a commitment to the task and craft of making good programmes. The third was an overriding professionalism, which favoured, in extreme cases, 'television for television's sake'.<sup>118</sup>

Producer Choice was first mentioned in an internal paper on the BBC's drama

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<sup>115</sup> Ibid., p.150.

<sup>116</sup> Tom Burns, *The BBC: Public Institution and Private World* (London: Macmillan, 1977), p.43

<sup>117</sup> Ibid., p.217

<sup>118</sup> Küng-Shankleman, op. cit., p74.

department.<sup>119</sup> The idea developed gradually in 1990, and was announced by the Director of Resources. He explained to the unions that the BBC needed to save 5% a year in 1991 and 1992, so that he could give television producers more choice in their spending. Producers would need to be able to buy services outside the BBC. Then why did the BBC introduce this managerial framework at this time? There were some reasons. The first was the necessity to compare the BBC with independent production in terms of cost and productivity. The 1990 Broadcasting Act stipulates that the BBC commissions a quarter of its non-news programmes from independent producers. This mandatory quota of independent production meant that the same amount of in-house production should be curtailed and the staff and resources of the BBC were to be reduced. The BBC, therefore, needed a means to measure the efficiency and competitiveness of its in-house production.

The second was the charter renewal. The BBC had been given a fifteen year Royal Charter in 1981, which was due for renewal in 1996. The BBC did not want its efficiency to be the main subject in the debate about its role in the changing media and communications landscape. One BBC producer said that Producer Choice would enable 'the BBC charter debate to be fought on programmes and the rationale for having a BBC rather than on its efficiency'.<sup>120</sup> Without it, the BBC could not have been confident about winning the battle with the government over the terms of its charter.<sup>121</sup>

The third was financial difficulty. Checkland became director general when the BBC's income was no longer increasing. The then current government pressured for change by reducing the real value of the licence fee. By the 1970s the BBC enjoyed natural revenue expansion as a by-product of increased television ownership and the switch to colour licences from black ones. But there was no such increase in the 1980s and the production costs were rising faster than general inflation. Checkland had two strategies for saving in

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<sup>119</sup> Barnett and Curry, *op. cit.*, p.180.

<sup>120</sup> *Ibid.*, p.181.

<sup>121</sup> *Ibid.*, p.195.

mind; one was to cut, the other to initiate change.<sup>122</sup> He set up a working party to achieve some rapid savings. One of its recommendations was to contract out to external organisations some support services which had been performed by BBC. This strategy had been initiated tentatively in the mid-1980s, and throughout the BBC cleaning, catering, and security services were put out to tender in 1987. These changes encompassed only non-broadcasting areas, so the savings were limited. A more fundamental approach was needed to change the management system which encompassed the BBC's core activities.

The fourth was the result of political conflicts within the BBC. By 1991 Checkland was subjected to intense pressure to meet the promised redundancies which he had proposed in *The Five-Year Plan*. Four years had elapsed but fewer than 5,000 of the original 25,000 staff had been dismissed. The governors, led by Hussey, complained and demanded more speedy action. With the encouragement of Hussey, Birt took charge of the Resource Review, a preliminary examination to identify any excess capacity prior to the full-scale implementation of Producer Choice. In the report he recommended closing whole production centres with dramatic staff cuts. But Checkland argued for soft-landing on the grounds that hasty action could destroy the BBC's production base beyond repair. With Checkland's retirement from office, Birt was able to promote his view. In 1987, before getting the job of Deputy Director General, he had told Hussey that a complete new structure and approach to the way the BBC made its programmes was needed.<sup>123</sup> He eventually took the lead in the internal reforms starting with this initiative. He pushed Checkland's original idea much further, encompassing almost all aspects of the BBC's operations.

Under Producer Choice, BBC's production departments could choose whether to use internal resources or to purchase them externally. This involved two important principles.<sup>124</sup>

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<sup>122</sup> Ibid., p.98.

<sup>123</sup> Horrie and Clarke, op. cit., p.85.

<sup>124</sup> Peter Clout, *BBC Producer Choice: A Case Study* (Oxford: Major Projects Association, 1994), pp.19-20.

The first was to work throughout in full costs, so that the programme production departments would purchase from the resources departments, with all overheads except corporate governance being distributed to departments. Production costs were divided into 'tariff' items to be charged against particular programmes, and 'non-tariff' items including constant overheads like the transmitter network. The expense of the governors and many regional and specialist advisory committees was also 'non-tariff' and, in addition to their own salaries was to be taken straight off the top of the licence fee as an unavoidable cost. All other expenses, right down to heat, light, office space and telephone bills were 'tariff' and would be charged against particular programmes. The second was that the resources departments received funds only through the programme departments. This meant that BBC resources departments were not allowed to compete for work outside the corporation. Tony Lennon, joint president of BECTU, objected that the resources departments would 'have to compete with their hands tied behind their backs'.<sup>125</sup> Resources departments which provided facilities and overhead units which provided support services such as library information were defined as 'Business Units'. Each unit was required to break-even over the financial year. Any unit which did not break even would be reviewed. Closure and redundancies would follow.

Producer Choice reflected the prevailing trend in the television industry, which assumed that the different functions of a broadcaster could be separated. Under the new Broadcasting Act regional television franchises were to be awarded to the highest bidders. To raise funds for the franchise auction, ITV companies reduced overheads and made themselves more efficient by separating their production, facilities and broadcasting divisions. The BBC had traditionally costed its overhead on 'its conception of itself as a single, unified organisation'.<sup>126</sup> It was a vertically integrated company to control all the stages of broadcasting, and a place where any of its resources could be switched from area to area as required. This system had a merit of protecting the skills and resource base of the

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<sup>125</sup> Peter Goodwin, 'The Scheme of Things To Come', *Broadcast* (8 November 1991).

<sup>126</sup> Barnett and Curry, op. cit., p.103.

organisation. But it had demerits in that it was slow to change and was liable to be seen as inefficient and bureaucratic if it did not have a transparent financial system. Producer Choice reversed former merits and demerits. Under the new system, the BBC's spending became clear but its production base was seriously damaged.

Following Thatcher's retirement, the BBC was no longer the centre of the government's broadcasting policy, but the framework which had been laid out under her premiership was still exerting its influence on the BBC. The BBC management initiated market-oriented initiatives to put the BBC under the market principle. One such initiative was Producer Choice, which made every decision in the BBC subordinate to market forces. Its logic was that where BBC departments could not compete with the market, they would close down. Under Producer Choice, the BBC's public service ethos was marginalised and its infrastructure was irreparably eroded. It was introduced to save the BBC but endangered the very base which had made it so effective. By 1993 it became the centrepiece of John Birt's strategy, the 'Birtist' reform programme for the new BBC.

## Chapter IV. The BBC in the 1990s

The 1990s were for the BBC a decade of trial and change. Much that had been taken for granted was being called into question. The Peacock Report of 1986 exerted a continuous influence on the environment in which the BBC had to operate as well as the funding of the BBC. Following the recommendation of the Peacock Report, the government indexed the licence fee to the general level of inflation for three years from 1987. It placed a further squeeze in 1990. For one year the licence fee was to be 3 percent below the RPI. It was a double squeeze as costs in broadcasting generally rose faster than the general rate of inflation. The government implemented another Peacock recommendation, a quota of television programmes to be made by independent producers. Peacock had proposed a quota of 40 per cent to be implemented over ten years. The government settled on 25 per cent to be implemented by 1992 as a recommendation and then by law in the 1990 Broadcasting Act.

In the aftermath of the Peacock Report the government shifted its attention away from immediate major changes but focused on measures to increase efficiency within the BBC. It urged, as the 1992 Green Paper put it, the BBC 'to improve its efficiency'. Whatever the method of financing, the BBC needed to give 'value for money' and to demonstrate that it was doing so.<sup>127</sup> It was a demand the BBC could not turn down because its Charter was due to expire in 1996. BBC's Charter had been renewed every fifteen or so years since 1926. Each of these previous Charter renewals had been almost a formality. But at that time, in the early 1990s the BBC was not confident of being granted the next Charter. Under these circumstances, the BBC embarked on a series of organisational restructuring for efficiency and financial control under the leadership of John Birt. Assessments of the results of these changes differ by points of view.

This chapter, through literature review and depth interviewing of the people involved,

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<sup>127</sup> Department of National Heritage (1992), *op. cit.* p.35.

traces how and why the BBC reshaped itself in the 1990s, estimates the merits and demerits of the changes, and explores what should be done for the BBC to be a better public service broadcaster.

#### 4. 1 Birtist Reform

The reigns of two BBC director generals are also referred to as 'ism's: Reithianism (John Reith) and Birtism (John Birt). John Reith, the founding director general from 1927 to 1938, was 'the single most dominating influence on British broadcasting' according to the *New York Times*.<sup>128</sup> He played a major part in the growth and development of the BBC ethos, refusing to treat broadcasting simply as a means of entertainment and instead advocating its moral and intellectual role in the community. He defined the function and responsibilities of public service broadcasting in terms of four facets: operation based on public service rather than commercial motivations, national coverage, unified control and operation, and high programme quality standards. He also argued for the BBC's operational independence from any political pressures. His concept of public service broadcasting has been designated as Reithianism.

It can be said that the BBC was under 'Birtism' in the 1990s while it had been under Reithianism in its formative years. Birtism and its associated adjective, 'Birtist', label the management style and policies of John Birt, the deputy director general from 1987 and the director general from 1993 to 2000. His approach can be described as a combination of an almost Reithian orientation towards programme content and a Thatcherite emphasis on financial management. Birtism was often expressed in catch phrases such as, 'The status quo is not an option', 'Get lean and fit for the telecom world of convergence' and 'Serving the nation, competing worldwide'.<sup>129</sup>

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<sup>128</sup> 'Reith, John Charles Walsham', The Museum of Broadcast Communications website ([www.museum.tv/archives/etv/htmlR/reithjohnc/reithjohnc.htm](http://www.museum.tv/archives/etv/htmlR/reithjohnc/reithjohnc.htm)).

<sup>129</sup> Wegg Prosser, *Producer Choice and the Management of Organizational Change* (Unpublished notes from PhD dissertation: London, 1996); Cited in Lucy Küng-Shankleman, *Inside the BBC and*

The Birt policy manifesto was clearly illustrated in *Extending Choice*, which began with the assertion that ‘almost everything about broadcasting has changed since the BBC’s current Charter was issued in 1981’.<sup>130</sup> The document restated the Reithian trinity of public service broadcasting but also narrowed this definition. *Extending Choice* enumerated the defining characteristics of the BBC’s public purpose as informing on national debate, expressing British culture and entertainment, creating opportunities for education, and communicating between the UK and abroad. While assuming that ‘the Old World in which the BBC’s traditional role and services were developed has passed into history’, it argued that the BBC ‘should withdraw from programme areas or categories in which it is no longer able or required to make an original contribution’. The BBC should not be an elitist repository for broadcasting and should offer programmes on radio and television which the market alone does not provide.

The document defended the single BBC on the grounds that the public could be best served through a systematic and integrated management of the BBC’s diverse radio and television channels. When he joined the BBC in 1987, Birt found it ‘a profoundly federal organisation where department heads made most of the decisions and competed for money and influence’.<sup>131</sup> He wanted the BBC to be an orderly organisation led by a single management team. He considered the old approach to be a form of territorialism, in need of reform.

Auntie - like so many other large organisations in the public and private sectors in the post-war years- became a vast command economy; a series of entangled, integrated baronies, each providing internally most of its needs ... Territorialism often stifled initiative. Nothing was transparent, everything opaque. It was Byzantine in many of

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*CNN: Managing Media Organizations* (London: Routledge, 2000), p.95.

<sup>130</sup> BBC, *Extending Choice: The BBC’s Role in the New Broadcasting Age* (London: BBC, 1992), p.8.

<sup>131</sup> Chris Horrie and Steve Clarke, *Fuzzy Monsters: Fear and Loathing at the BBC* (London:

its structures ... Creative freedom was frustrated.<sup>132</sup>

To support a single coherent organisation, the management role was emphasised and guidelines for management were drawn up. Though there had been regulations for management in the BBC, most of them were out of date and unclear. They didn't meet the needs of an organization of the 1990s.

I joined the BBC just five years ago. I was recruited to review the whole of BBC personnel procedures and to rewrite them. The main outcome of the first two years of my employment in the BBC was *The Manager's Guidelines*. Many of personnel procedures were still relying on old procedures which dated back to the 1970s, the 1960s and even to the 1950s. A lot of the procedures were written for personnel officers rather than for the managers. We perhaps hadn't given as much prominence to that management role as we should have done. So we decided to get managers more involved in the management of staff. This is why we called that *The Manager's Guidelines*. We are aiming that managers must manage staff. Managers have now a much better position to deal with a particular issue than before ... In the BBC there are many editors, producers, and directors who are actually managers as well. But historically they did not think of themselves as managers. When a journalist became an editor, he would think of himself more of journalist and less of manager. We'd like them to think of themselves as managers and act as managers who are responsible for ten, twenty, thirty or forty journalists.<sup>133</sup>

With the emphasis on the management role, every manager was asked to submit at regular intervals the appraisal and development review of every member of staff. The performance was assessed monthly, quarterly, or half-yearly against targets that had been

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Mandarin, 1994), p.246.

<sup>132</sup> John Birt, *The BBC, The 1993 Fleming Memorial Lecture*; Cited in Steven Barnett and Andrew Curry, *The Battle for the BBC* (London: Aurum Press, 1994), p.194.

<sup>133</sup> Interview in Oct 1998 with John Hughes (Manager, Corporate Human Resources Policy).

set. Through a systematic process of objective setting, appraisal and reward, the BBC tried to manage and focus on the performance of its staff in their current jobs. This pan-BBC performance measurement system was characteristic of the Birt era.

This systematic and structured approach was also used in the programming field. To meet the changing demands of the audience, the programming department conducted a series of research of audience views and attitudes, tastes and interests, and called it the Programme Strategy Review.

Programme Strategy Review began as a way of trying to look at our programmes and services specifically and think about what they should be in the future. *People and Programmes* was the result of the first Programme Strategy Review. Since 1994 to the end of 1997 we had done one or two specific things every year with religion, ethnic minority, and social action programming. Separated from Production, BBC Broadcast has looked at the audience in great detail to understand the changing needs of the audience and to commission programmes that satisfy those needs with the introduction of news services on television, with the introduction of BBC Online, and with the work that's being done, Hundred Tribes.<sup>134</sup>

The first Programme Strategy Review was undertaken in 1993/4. While *Extending Choice* had set put the overall purpose of the BBC in a multichannel age, the Programme Strategy Review sought to translate those purposes into specific ideas for new programmes and reshaped services. *People and Programmes* set out the key recommendations of the review. Key recommendations included: an increased commitment to live and specially recorded music; a commitment to major classic drama on television; new late night entertainment on BBC 1; additional value and context for feature films; a broader news agenda; more live local news; more science and history programmes with a higher profile; an increase in the quantity and range of leisure

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<sup>134</sup> Interview in Oct 1998 with Ian Hunter (Project Leader, Programme Strategy Review 2).

programming; less exclusive sports coverage, but with more explanation.<sup>135</sup> Most of them had come to be accepted by BBC programme makers as important.

According to Hunter, Programme Strategy Review was a new departure for the BBC. The first studies, focusing on the audience, technology and key programme genres, took more than a year to conclude.

A large cadre of programme makers came to see the value of an approach which married more closely than before an understanding of the shifting audience with their own ideas for new programmes. The groups developed a way of working which continues to prove fruitful.<sup>136</sup>

Since 1998, Programme Strategy Review Two has been carried out as a further research project. As a part of it, BBC Broadcast conducted a large-scale survey, called Hundred Tribes, which breaks down the population into small demographic units. It is an analysis of contemporary Britain that divided people into a hundred tribes, reflecting the fact that their tastes, backgrounds and aspirations diverge greatly.

Owing to Hundred Tribes, we can make our services more able to respond to the changing habits and lifestyles of people. For example, we found that our general factual programmes have very little appeal to younger people. We are now trying to make our programmes respond more to the limitations, constraints and interests of less-well-off younger people and have more appeal to them.<sup>137</sup>

The 'bi-media' policy was also introduced as part of the programme to make the BBC an orderly and efficient organisation. News and current affairs journalists were to serve both television and radio as part of a single directorate, and regional journalists and production

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<sup>135</sup> BBC, *Programme Strategy Review* (Unpublished, 1998).

<sup>136</sup> Ian Hunter, *op.cit.*

staff were to operate across both media. Birt announced the strategy in April 1995 and subsequently all BBC radio news and current affairs staff moved out of central London, joining their TV counterparts at Television Centre in west London.

When I first came to the BBC mid 1980s, News and Current Affairs were two separate departments and Radio and Television were two separate departments as well ... The four different departments really had different ways of looking at things and Radio Current Affairs covered daily current affairs programmes but also weekly programmes, and one-off specials and television current affairs covered programmes like Newsnight and Breakfast News, it was in a separate building from Television Centre about a mile down the road from Lime Grove Studios ... This arrangement had some advantages and it was a very plural editorial system. There was a lot of independence, a lot of autonomy in four different areas. In some ways, I think there was something to admire about an organisation like the BBC that could take a very different editorial line in Radio from Television and very often current affairs programmes tend to be more probing, a bit more radical in our approach to news stories and news programmes. Some people criticised the BBC saying that there wasn't a single editorial line which emerged from all this and the BBC was tending to contradict itself ... One of the central problems was efficiency. Was it efficient to have four separate sides where news was being produced and four separate changes of editorial control?<sup>138</sup>

Bi-media practice, first applied to news and current affairs programme departments, spread to most production departments by 1996. The reorganisation also fulfilled budgetary objectives by curtailing costs in the amalgamation of personnel, finance and business management.

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<sup>137</sup> Ibid.

<sup>138</sup> Interview in October 1998 with Jon Barton (Executive Editor, TV Daily News, BBC News)

Bi-media policy was introduced to make the most of BBC resources and to make producers multi-skilled. The television producer and radio producer learn about each other through co-working in a single team and learn to work in more flexible ways. Materials for the television news programme can be processed for the radio programme and vice versa. The television producer can learn how to spend money effectively by the experience in a relatively small budget radio programme.<sup>139</sup>

Bi-media working resulted in confusion and internal opposition ‘because it cut across the existing territory of both the television and radio empires’.<sup>140</sup> In 1999 Marmaduke Hussey, former chairman of the BBC and architect of Birtism, denounced the policy: ‘I don’t believe in the amalgamation of radio and television. They are not the same. They are different art forms. I fear for the future of radio against the monster of television’.<sup>141</sup> With Greg Dyke taking office as director general, bi-media news ended and bi-media management positions were superseded by the respective department heads of television and radio news.

*Extending Choice* emphasised delivering value for money and efficiency, making this objective a central element of the BBC’s public purpose. *Extending Choice* asserted that the BBC should meet the highest industry standards in providing outstanding value as the public that funded it justifiably expected as much of its money as possible to be spent on programming. The document declared that the change had already started, and showed the outcome and targets of the latest initiatives: to reduce the staff by 7,000 from 1986 and the end of 1993; to give up 23 London buildings and reduce rental expenses by 70 per cent by the end of 1995; to reduce television studios and stages from 27 to 14 by the end of 1992, and to close 17 radio studios. Producer Choice was at the centre of both great radical reduction and process change.

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<sup>139</sup> Interview in October 1998 with Ilse Howling (Chief Assistant to Director of BBC Radio).

<sup>140</sup> Barnett and Curry, *op. cit.*, p.180.

We were required by the government from 1993 onward to commission about a quarter of our output from independent production, from outside of the BBC. The BBC had been a centrally integrated organisation that commissioned, made and resourced programmes. Once we were asked to commission independent producers to contribute to the output, the situation changed and we faced the question “if commissioners can commission outside why can’t programme makers choose whether or not to use outside film crew, outside graphic artists and outside studios” ... and we were also facing the need to demonstrate our efficiency and value for money in order to ensure suspected licence fee settlement.<sup>142</sup>

Producer Choice, the scheme Birt had inspired, was introduced as a way of both achieving great efficiency in the BBC and demonstrating that efficiency was there. At that time the BBC needed to demonstrate both to the public and the government that the licence fee provided value for money as its current Charter was due to expire. Producer Choice was designed to allow BBC programme-makers to buy the necessary resources either outside the BBC or to use in-house facilities to get the best value for money.

John Birt said to the two television channel controllers, “As director general of the BBC, I need to deliver to the country and the government a certain mix of programming. So give me a three-year strategy made up of each programme genre. Tell me a strategic mix looking forward three years that our programming resources allow us”.<sup>143</sup>

The channel controllers were expected to draw up long-term programme strategies and choose how to allot resources to in-house and independent producers. To do this, they needed to know what each genre of programme ought to cost when it is produced

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<sup>141</sup> Janine Gibson, ‘Birt’s BBC Denounced by Ex-chairman Hussey’, *Guardian*, 11 March 1999.

<sup>142</sup> Interview in October 1998 with Michael Starks (Director of Customer Service; The Producer Choice Project Director in the early 1990s).

<sup>143</sup> Interview in October 1998 with Olga Eldridge (Director of Worldwide TV).

efficiently.

As a producer, I'd like to be able to put a budget together that had real money expenditure and below-the-line expenditure. But it was not available. Up to then here we had command economy. Basically all the money came into the centre and the centre allocated the money directly to radio, television and resources. So everybody came round the centre and argued for budgets. With the help of Cooper-Lybrand, John decided to put in place an economy that follows production.<sup>144</sup>

Producer Choice provided the full cost of the programme and changed the way BBC programme was funded and managed. Under Producer Choice, internal departments no longer had guaranteed incomes as they did in a command economy. They had to earn their money from external resources by selling their services. Producer Choice brought the market economy to the BBC.

As *Extending Choice* anticipated, the BBC reduced administrative costs, released more funds for programmes and became more financially transparent. In September 1998 John Smith, director of BBC Finance, reported that Producer Choice had saved over one thousand million pounds, reduced programme costs by 24 per cent or the equivalent of 80,000 hours of television and radio output, and enabled the BBC to provide more services in five years since April 1993.<sup>145</sup> Official publications and press releases by the BBC affirmed the results of Producer Choice. Most people interviewed at the BBC for this research seemed to favour the change implemented. At least these individuals acknowledged that Producer Choice was the lesser evil of the means available for securing charter renewal and for leading change at the BBC. They also recognised that Producer Choice had created more efficiency and made its people more cost conscious.

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<sup>144</sup> Ibid.

<sup>145</sup> John Smith, *Producer Choice- 5 Years On* (Unpublished: September 1998). Provided by Doug Smit (Head of Financial Strategy).

But critics maintained that Producer Choice did not address the fundamental problem of a lack of revenue from licence fees, and that this shortfall would result in valued areas of high quality BBC expertise disappearing. This erosion of in-house skills would lead to a worrying degree of casualisation in the labour force.<sup>146</sup>

I think it [Producer Choice] is crazy for a public service broadcasting organisation. The whole concept is wrong. I can't understand why those elements need to be addressed. I don't agree with the idea of selling our resources and pricing premises a public service organisation owns.<sup>147</sup>

We have a very large photograph library. We used to use pictures free for our programmes. But now we have to pay fifty pounds minimum for one black and white photograph. Up to two hundred photographs, stills, and pictures are necessary to make one programme. We can't afford to use our photographs. We have also a marvellous and the best film library in the world. If I borrow one VHS tape, it will charge me seven pounds. It is same in the cases of books and records. It might be cheaper to go down the high street and buy them. Now in turn nobody would use these libraries even though they have got people who know the subject very well. That's just one aspect of Producer Choice.<sup>148</sup>

There were some differences of perspective between the managers and the creative workers. While some saw the necessity or inevitability of Producer Choice which Birt introduced, the others felt its impact on their creativity. As critics had asserted, short-term contracts became common at the BBC, in particular for those working in newly established channels like BBC Choice. BBC Choice producers were contracted year by year or programme by programme. Only the head of the BBC Choice production department held a permanent

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<sup>146</sup> Raymond Kuhn and Mark Wheeler, 'A Rejoinder', *The Political Quarterly* (Vol. 65. No.1, January-March 1994), p.436.

<sup>147</sup> Interview in October 1998 with a television producer of BBC Choice.

<sup>148</sup> Interview in October 1998 with a film researcher of BBC Choice.

position.

According to Curran and Seaton, Birtism was influenced by ‘new managerialism’, which was in vogue during the 1980s.<sup>149</sup> At that time management became increasingly popular and better management was recognised as the solution for ailing British institutions and habits. Wholesale changes to organisational structures were deemed desirable. At this time the BBC required drastic reorganisation, being caught between the real terms reduction in licence revenue and its duty to commission 25 per cent of its programming from the independent producers. New managerialism strategies were seen as a way forward. In the course of this reform Birt relied a great deal on management consultants and commissioned four different consulting firms during the late 1980s and 1990s. Many of these individuals ‘jumped ship’ and became BBC managers<sup>150</sup> and nearly half of the people interviewed for this research had worked as management consultants before. Critics stressed what they saw as Birt’s over reliance on consulting for fostering a consultancy culture.

The acknowledged management guru of Birtist reform was Warner Burke, a guardian of organisation development and author of *Organisation Development: A Process of Learning and Changing*.<sup>151</sup> Birtist reform, accordingly, followed a process of organisation development based on the ‘Burke Litwin Model’.<sup>152</sup> Organisation development is ‘a system-wide application of behavioural science knowledge to the planned development and

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<sup>149</sup> James Curran and Jean Seaton, *Power Without Responsibility* (5<sup>th</sup> edition) (London: Routledge, 1997), p.224.

<sup>150</sup> *Ibid.*, p.226.

<sup>151</sup> Maggie Brown and Janine Gibson, ‘His Master’s Choice’, *Guardian*, 3 April 2000.

<sup>152</sup> Küng-Shankleman, *op. cit.*, p.95. To provide a model of organisational performance and change, Burke and Litwin suggest causal linkages that hypothesise how performance is affected and how effective change occurs. Change is described in terms of both process and content, with particular emphasis on ‘transformational’ as compared with ‘transactional’ factors. Transformational change occurs as a response to the external environment and directly affects organisational mission and strategy, the organisation’s leadership, and culture. In turn, the transactional factors are affected; structure, systems, management practices, and climate. These transformational and transactional factors together affect motivation, which, in turn, affects performance. For the model’s validity, theory and practice, see Warner Burke and George Litwin, ‘A Causal Model of Organisational Performance and Change’, *Journal of Management* (Vol.18, No.3, 1992), pp.523-545.

reinforcement of organisational strategies, structures, and processes for improving an organisation's effectiveness'.<sup>153</sup> This methodology aims to improve the effectiveness of people and organisations by (1) establishing relationships with key personnel in the organisation (often called 'entering' and 'contracting' with the organisation); (2) researching and evaluating systems in the organisation in order to understand the dysfunctions and/or the goals of its systems ('diagnosing' the systems in the organisation); (3) identifying approaches (or 'interventions') to improve the effectiveness of the organisation and its people; (4) applying approaches to improve effectiveness (methods of 'planned change' in the organisation); and (5) evaluating the ongoing effectiveness of the approaches and their results.<sup>154</sup> If the Resource Review was a phase of resource diagnosis, the establishment of the principles of Producer Choice was an identifying phase, and its implementation was an applying phase. Finally, the termination of a negative revenue unit could be the evaluating phase.

#### **4.2 The BBC in the Digital Age: being digital, going global**

The second half of the Birtist reform was illustrated in *Extending Choice in the Digital Age*, while its first half was in *Extending Choice*. In May 1996 the BBC set out its vision for the digital future using the former. Here, technological advances, changing regulations and changing consumer behaviour were described as the major forces for change in the BBC. Among these three forces, the move from analogue to digital technology or digitisation was regarded as fundamental. The document argued for more free-to-air services including extended television channels with programming options alongside the continuing schedule, a 24-hour television news service, and education services, using digital technology to promote interactive learning.

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<sup>153</sup> Thomas Cummings and Christopher Worley, *Organisation Development and Change* (6<sup>th</sup> edition) (Cincinnati: South-Western College Publishing, 1997), p.2.

Birt foresaw a digital age characterised by an infinity of broadcast services, available on demand to consumers.<sup>155</sup> He said that the same technology, while offering to extend the world of equal opportunity for information, learning and entertainment to every household also posed risks to social cohesion, national cultures and the universal provision of a diversity of programmes and services. Birt developed the concept of the knowledge gap, originally presented by Tichenor, to emphasise the role of the BBC in the digital age.<sup>156</sup> He said:

The consumer will be increasingly asked to pay directly for what they see. The cost of watching a screen will rise enormously. We will see the emergence of the information rich, and the information poor. We risk a knowledge underclass.<sup>157</sup>

Birt insisted that the BBC bridge the divide between the information rich and the information poor, which could otherwise hold back national economies and impoverish society. He also argued that the BBC should be properly funded in the next century lest the benefits of digital technology be outweighed by the potential detriments. These arguments

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<sup>154</sup> Minnesota Organization Development Network (MNODN) website ([www.mnodn.org](http://www.mnodn.org)).

<sup>155</sup> John Birt, 'A Glorious Future- Quality Broadcasting in the Digital Age', *The James MacTaggart Memorial Lecture*, 23 August 1996; John Birt, 'The Prize and the Price-The Social, Political and Cultural Consequences of the Digital Age', *The New Statesman Media Lecture*, 6 July 1999.

<sup>156</sup> Tichenor *et al.* wrote of the 'knowledge gap hypothesis' that 'as the infusion of mass media information into a social system increases, segments of the population with higher socioeconomic status tend to acquire this information at a faster rate than the lower status segments, so that the gap in knowledge between these segments tends to increase rather than decrease'. This hypothesis, they argue, does not hold that lower status population segments remain completely uninformed or that the poor in knowledge get poorer in an absolute sense. Instead the proposition is that growth of knowledge is relatively greater among the higher status segments. Phillip Tichenor, George Donahue, and Clarice Olien, 'Mass Media Flow and Differential Growth in Knowledge', *Public Opinion Quarterly* (Vol.34, 1970), pp.159-170; Garnham argues that the structures of public communication are undergoing a profound change, characterized by the creation of a two-tier market divided between 'the information rich', provided with high-cost specialised information and cultural services, and the 'information poor', provided with increasingly homogenised entertainment services. Nicholas Garnham, 'The Media in the Public Sphere', Peter Golding, Graham Murdock, and Philip Schlesinger (eds), *Communicating Politics: Mass Communications and the Political Process* (Leicester, Leicester University Press, 1986), p.38.

were enumerated in a new statement of the BBC's vision, entitled *The BBC Beyond 2000*. While stressing that the BBC's public purposes would remain constant in the digital age, the document set out new public purposes so as to ensure universal access to the new services made possible by new technology, to reach into every home to engage audiences in new experiences, and to act as a trusted guide in a world of abundant choice. The document presented the BBC's guiding aims in a single statement:

We aim to be the world's most creative and trusted broadcaster and programme maker, seeking to satisfy all our audiences in the UK with services that inform, educate and entertain and that enrich their lives in ways that the market alone will not. We aim to be guided by our public purposes; to encourage the UK's most innovative talents; to act independently of all interests; to aspire to the highest ethical standards; to offer the best value for money; to be accountable to our licence payers; to endeavour to be the world's leading international broadcaster; and to be the best- or to learn from the best- in everything we do.<sup>158</sup>

As a civilising force and a weighty counterbalance against the digital risks, the BBC introduced the new services. In November 1997 it launched BBC News 24, a round-the-clock news channel, which by then could be seen on analogue cable at any time as well as overnight on BBC1. The channel became available on digital from October 1998. At the same time it launched BBC News Online, a 24-hour interactive and electronic news service via the Internet. Bob Eggington, the project director of BBC News Online, expected that more people would soon receive BBC programmes via the Internet than television or radio. With approximately 100 journalists and some web-designers, his team aimed to make its Internet operation a synthesis of different media, and therefore the first choice of users.

Previously the BBC had announced plans for a major reorganisation of its management

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<sup>157</sup> 'BBC Director-General warns of a knowledge underclass', *BBC News Release*, 6 April 1998.

<sup>158</sup> BBC, *The BBC Beyond 2000* (London: BBC, 1998).

structure as of June 1996. It claimed that the restructuring would enable the corporation to strengthen its existing channels and services and to create a powerful package of additional digital services, addressing the strategic challenges of the digital age.

We started to make structural preparation for the digital age. We expect in the digital age to offer targeted portfolio of content to individual consumers. If you are an individual consumer who is very interested in sports and science fiction, we need to bring to you and to market to you a portfolio output across television, radio and online both commercially funded and publicly funded. In this sense, process of identifying small customer segments is much more needed.<sup>159</sup>

The new structure was supposed to be fully implemented by April 1997 and to be a completion of the BBC's evolution since 1993. At the heart of the new structure was the separation of broadcasting from production and the creation of a single national and international news operation. Birt claimed that the changes would increase the BBC's efficiency by streamlining management structures and eliminating duplication, and allow it to maximise the benefits flowing from its commercial activities within BBC Worldwide. But in its implementation, the boundary between broadcasting and production became unclear.

It was a fairly sudden separation and there wasn't a clear idea, there wasn't a blueprint for each of different area. During the first year of Production we focused on defining its role in the BBC and establishing consensus on the ground-rules.<sup>160</sup>

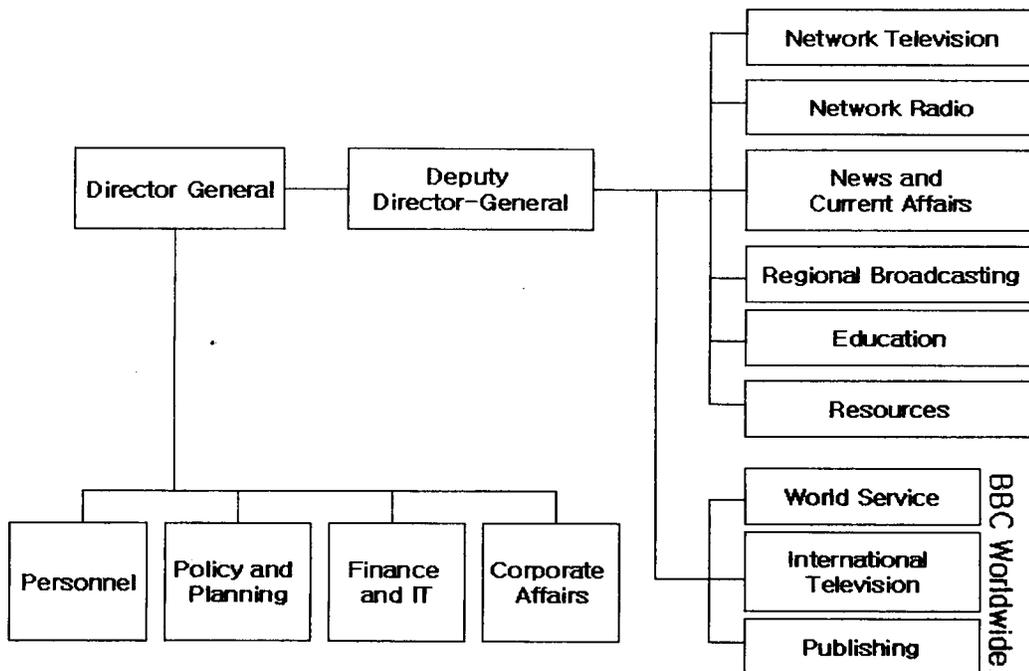
BBC Broadcast have something like 5,300 staff in this division that is more than was originally envisaged in the restructuring, because it was felt it was important to include the whole of regional broadcasting within this division. This is an anomaly

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<sup>159</sup> Interview in October 1998 with Michael Stevenson (Deputy Director, Regional Broadcasting, BBC Broadcast).

but nonetheless it was felt to be the right thing to do. In looking at the areas that should be included in the Broadcast division, if all of the commissioning areas in Scotland, Wales, Northern Ireland, and English local radio were included which would make sense organisationally, then we would have been left with very split structures in each of our nations and it was felt that politically this would be unacceptable and manageably very, very difficult, so although it isn't particularly pure the production and news operations in Scotland, Wales, and Northern Ireland have formed part of BBC Broadcast and newsgathering operation in English local radio and English regional television is also part of Broadcast but this means we probably have something like 2,500-3,000 people more than was originally anticipated in the first plan.<sup>161</sup>

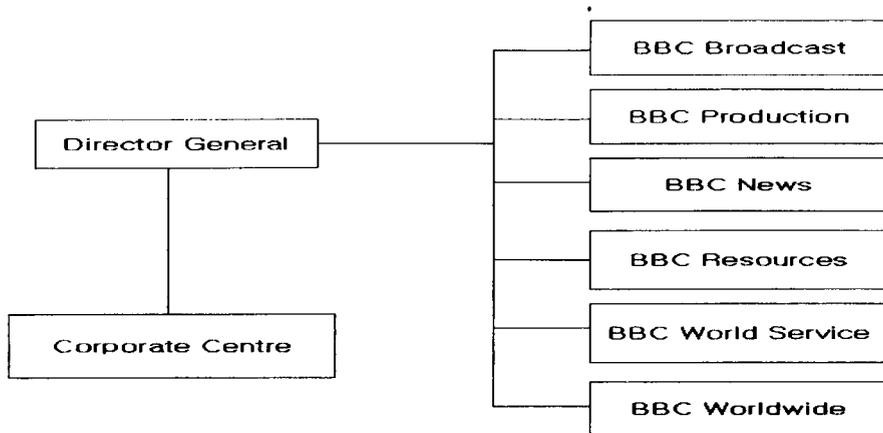
Figure 4.1 The organisation of the BBC (1994)



<sup>160</sup> Interview in October 1998 with Susan Denham (Head of Strategy, BBC Production).

<sup>161</sup> Interview in October 1998 with Kate Smith (Personnel Controller, BBC Broadcast).

Figure 4.2 The organisation of the BBC (1997)



The new organisational structure was composed of six major directorates: BBC Broadcast (scheduling channels and commissioning programmes at home and abroad), BBC Production (producing programmes), BBC News (integrating national and international news operation), BBC Worldwide (generating commercial income at home and abroad, and for the World Service), BBC Resources (providing the facilities and expertise to BBC programme-makers and broadcasters), and the Corporate Centre (providing key strategic services to the BBC as a whole). The restructuring emphasised changing BBC's media-centred structure into a role-centred one.

On the Broadcast side people own the channel outlets and basically decide on a genre and genre basis what type of makes, what type of programmes and when and what for. Whether they work for TV, radio or online, they have the same roles. The whole process of commissioning is not different. The relationship with Production is also common, which needs to be smooth. TV, radio and region look individually at what the market strategy ought to be and use each other in a complementary fashion.<sup>162</sup>

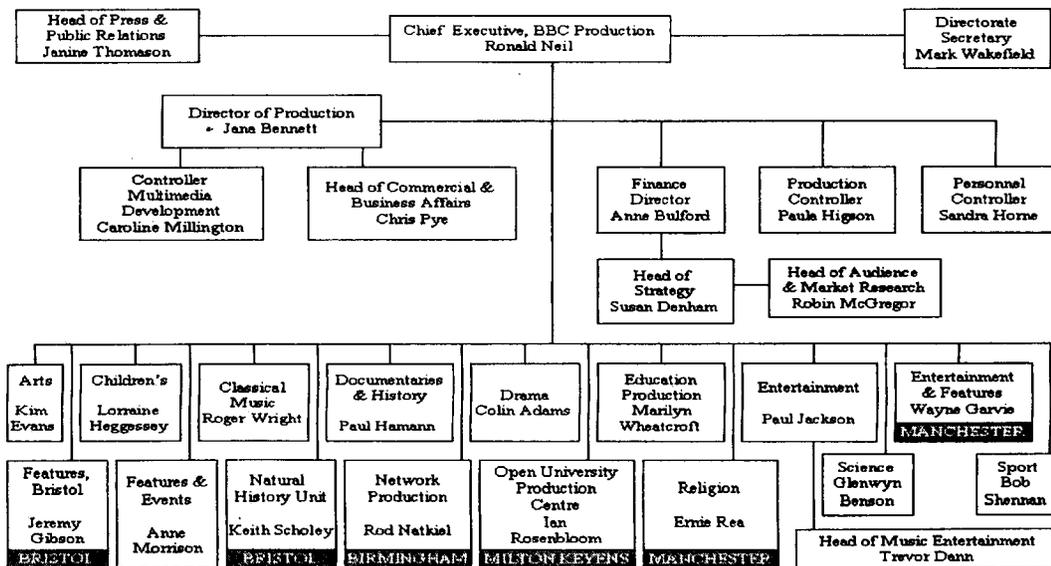
Improved cost-effectiveness was one of the important reasons for creating the new structure.

<sup>162</sup> Interview in October 1998 with Gerry De Vries (Senior Advisor, Broadcast Strategy, BBC Broadcast).

BBC Production in particular had eighteen units compared to the previous thirty-six. Most units were bi-media and shared support services such as personnel, finance and business management. The new directorate was organised by genre to develop BBC's in-house radio and television production capability across all genres and media as well as achieve a step change in efficiency.

Within Broadcast, there is TV, radio, online, education and region. So we [Production] decided to create multimedia departments, which were not just for TV but also for radio and online, and structure them around genre rather than around BBC's individual services. Each department produces programmes for TV, radio and online. The philosophy behind that was where we have competitive advantage in production is in editorial strength within the genre specialism. Natural History Unit in Bristol, for example, has all the historical expertise and skills in natural history. We planned to spread such editorial strength across TV, radio and all the different new media that are emerging. That's a kind of what Production was all about.<sup>163</sup>

Figure 4.3 The BBC Production family tree (June 1998)



Genre was regarded as important during Birt's term of office. All programmes were classified within genres such as drama or science. It mattered when the BBC restructured itself or worked out programme strategies. Genre specific production was the main principle used when organising Production units.

We [BBC Broadcast] oversee the development of our programme strategy that is much more to do with looking forward thinking about genre in particular. So instead of thinking individual dramas, we think about all the dramas we make and what the audience would expect from the BBC in drama and what they would like to watch and listen to for the next three to five years.<sup>164</sup>

In the same month when it separated Broadcast from Production, the BBC was granted its seventh Royal Charter and Agreement in force between January 1, 1997 and December 31, 2006. The charter renewal was announced beforehand by the government White Paper in July 1994. The White Paper confirmed that the BBC would continue to be the main public service broadcaster in Britain and keep its licence fee. Birt regarded this as a personal victory, justifying his reforms. He said, 'We are going to go on the attack around the world. We are going to overtake CNN as the major news provider'.<sup>165</sup> His personal ambition coincided with government policy. The government advised that the BBC should 'evolve into an international multi-media enterprise'.<sup>166</sup> It also recommended that the BBC should expand its commercial activities at home and abroad, officially approving the corporation's entrepreneurial activities. By then the BBC was promoting an international partnership to raise capital for foreign ventures.

Ever since the launch of the *Radio Times* in 1923, its TV listing magazine, the BBC had

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<sup>163</sup> Susan Denham, op. cit.

<sup>164</sup> Ian Hunter, op. cit.

<sup>165</sup> 'Birt's Legacy', *Guardian*, 28 June 1999.

<sup>166</sup> Department of National Heritage, *The Future of the BBC: Serving the Nation Competing*

expanded its ancillary commercial activities such as programme sales, licences, and merchandising. Birt transformed Enterprises into BBC Worldwide and fully utilised it as a commercial arm and a means of the BBC's global expansion. In April 1997, BBC Worldwide completed deals with Flextech plc, a UK pay-TV company, for the establishment of the UKTV joint venture, providing pay-TV channels designed for UK satellite, cable and digital markets. Three new channels were launched in November 1997-UK Horizons, UK Style and UK Arena. UK Gold was relaunched in October 1997. The BBC Worldwide and US cable giant Discovery Communications Inc. (DCI) signed their wide-ranging global partnership in March 1998 and the BBC's first channel in the US, BBC America, was launched. Birt said, 'This partnership will help the BBC become the world's leading global broadcaster, building on the international success and reputation in radio of the BBC World Service'.<sup>167</sup> Two other channels were on the air in October 1997, even before a formal agreement had been reached. The joint venture launched the People & Arts and Animal Planet channels in Latin America and moved ahead with co-production of factual programming for North America. All channels were owned 50/50 by the BBC and DCI, with the exception of the already established Animal Planet (US) where the BBC's stake was 20 per cent. BBC Worldwide brought a sharper focus to the development of joint ventures with commercial partners, because share holding of a joint venture could secure more profit on the long-term basis than simple programme sales.

Birt insisted that the BBC help itself as there had been no increase in the level of the licence fee, in real terms, for ten years (since 1985). He said that digital technology would allow it 'to make another step-change in efficiency' and 'to grow its commercial income'.<sup>168</sup> BBC Worldwide then launched a commercial Internet operation, *bbcshop.com*. It carries advertising and acts as a vehicle for e-commerce. The site now acts as an aggressive merchandiser of BBC products by leveraging its own brand name. As self-help

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*Worldwide* (Cm 2621) (London: HMSO, 1994).

<sup>167</sup> 'BBC and Discovery Sign Global Partnership Deal', *BBC News Release*, 19 March 1998.

<sup>168</sup> John Birt, 'A Glorious Future- Quality Broadcasting in the Digital Age', *The James MacTaggart Memorial Lecture*, 23 August 1996.

continued to be stressed, the staff attitude to commercial activities and BBC Worldwide underwent a change.

Our aim is to find a demand of the market and respond to it effectively and promptly. The new structure provides a strong base on which to build a new relationship with other BBC directorates. Previously we sold ready-made programmes. But now we participate in the programme planning stage and consider public relations, marketing and sales together.<sup>169</sup>

The BBC created a new department called Information Systems and Technology, as part of the BBC restructuring. It was to bring together the strategic, delivery, personnel and financial functions required for the delivery of information and technology. In 1997 the department signed a ten-year contract with Media Accounting Services (MedAs) to establish a new finance support system. The project was named the Apollo Campaign, and its mandate was to re-evaluate and redesign the BBC's administrative and financial processes and rationalise or completely remove many of them. Historically the BBC had allowed each directorate to run its own independent computer systems, but it became clear that systems integration would be highly desirable with the advent of Producer Choice. There were a number of problems in the BBC's information management systems: many of its existing financial systems were old and needed to be replaced; progressive reorganisations had meant that most directorates were forced to work with multiple, incompatible systems; although a few systems tools had been developed for producers, systems protocols, standards and philosophies differed widely, forcing the use of a number of local, expensive, and ad hoc solutions; most systems had been designed before the introduction of Producer Choice and did not respond adequately to its present requirements, particularly in areas such as internal trading; current financial processes and systems were costly and offered significant opportunities for savings.<sup>170</sup> The Apollo Campaign's goal

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<sup>169</sup> Interview in October 1998 with Carolyn Fairbairn (Director of Strategy, BBC Worldwide).

<sup>170</sup> BBC, *The Future of BBC Finance* (London: BBC, 1997), p.6.

was to develop common financial processes across the BBC and to build integrated systems using ERP software.<sup>171</sup>

Neils Andersen, the campaign director, emphasised that Apollo was about more than just finance; it was about changing the way that the BBC conducted in every aspect of its business, from building a film crew to budgeting. In this respect Apollo was a new version or an extension of Producer Choice, and was another of Birt's transformative decisions. He lay stress on timely and appropriate delivery of information to the right people, thus enabling better decision-making in the digital era. He said,

There is an information revolution taking place across society, and the organisations that will succeed in the future will be those organisations that understand how to get the right information to the right people.<sup>172</sup>

During 1997 MedAs started to address the problems of the BBC's existing financial and related processes and redesigned them based on the best practice model of ERP software, called the Business Process Re-engineering (BPR) phase. In 1998 MedAs reviewed the initial BPR phase and developed new processes and systems. BBC Scotland was chosen as a pilot site. Turning a vision into hard reality is never easy. Since August 1999, BBC Scotland struggled with all the agony of drastic change. Users felt the impact most. Nancy Braid, head of production planning of BBC Scotland, said, 'It's interesting because we're bringing in a huge change in our financial and business systems at the same time as the industry in general and BBC is going through a massive change on the technology side. The whole implementation of digital and everyone is going through a huge change on every

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<sup>171</sup> An enterprise system, also commonly referred as enterprise resource planning, or ERP, is introduced to integrate all the information flowing through a company-financial and accounting information, human resource information, supply chain information, customer information. Thomas Davenport, 'Putting the Enterprise into the Enterprise System', *Harvard Business Review*, July-August 1998, pp.121-131.

<sup>172</sup> Cited in the BBC's internal programmes *Introducing Apollo* (London: BBC, 2000).

front'.<sup>173</sup> By 2000 the new processes and systems were implemented across the BBC.

### 4.3 Birt's legacy

In January 2000 John Birt was awarded a life peerage and resigned as BBC director general earlier than expected to take up his seat as a cross-bencher in the House of Lords. He said in a radio programme that he had no regrets over his biggest decisions during his term of office:

We are better managed, we are much more efficient, we are much more effective, we have a better understanding of the environment in which we operate, and no broadcasting operation in the world is better positioned for the digital age than the BBC - and that is because we are better managed...The BBC I leave has never been creatively stronger, it has never been better managed, we are a global force, we understand the future. I am very proud of that ...When people complain about management of the BBC, I am unashamed.<sup>174</sup>

Birt insisted confidently that the BBC was creatively stronger, better managed, and a global force meeting the challenges of the digital revolution. Undoubtedly, he is credited with saving the licence fee, which keeps the BBC a public broadcaster, and for taking the BBC into the digital age.

Birt brought change to every corner of the BBC. He changed not only the way BBC programmes were funded but also the attitudes of the BBC people toward commercial activities.

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<sup>173</sup> Cited in the BBC's internal video *Introducing Apollo* (London: BBC, 2000).

<sup>174</sup> Cited in BBC Radio 4's *Today* programme, 26 January 2000.

Culture, for me, is the prevailing norms and values of an organisation, is the way the organisation does things. It is the patterns of behaviour. The biggest change has been firstly to acknowledge that there is both public service agenda and private commercial agenda. In other words, it's all right to earn money in the commercial sector and at the same time we can be a public service organisation that operates in the public arena. That was not really accepted before. The second thing is that BBC culture, which has been very bureaucratic, is changed. It's got a lot better, less bureaucratic. The third thing is the change of decision-making. Our decision-making was not particularly meticulous, it was capricious, whimsical, very sort of creative. I think our decision making process has got much better. I think it's more meticulous, particularly our financial decision-making process. We had to get better because we have scarce resources, less money.<sup>175</sup>

Many objections are raised against his insistence that the BBC has become stronger creatively. Critics say that Birt's internal reforms and top-heavy management strategies reduced programme quality and strangled the creative process, contrary to his claim. Until the late 1980s the BBC was recognised as a producer-driven organisation, where individual producers enjoyed significant leeway in programme production, and where such production was valued above all else. However, by the early 1990s the BBC had become a management driven organisation. During the director generalship of John Birt, priorities shifted to those of managerialism and programme makers became less important than programme accountants.

Whilst Birt has been recognised for contributing to the charter renewal process and for bringing the BBC into the digital age, his reforms are generally regarded as detrimental to the BBC's traditional standards. Producer Choice was a good idea in principle but not if

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<sup>175</sup> Interview in October 1998 with Bob Nelson (Head of Organisation & Management Development).

taken to extremes.<sup>176</sup> According to Horrie and Clarke, in the eighteen months between Birt taking over and the publication of the White Paper in July 1994 most of BBC producers became convinced that programme quality had deteriorated.<sup>177</sup> His ‘permanent revolution’ had nothing to do with programme quality. In this area there is little difference between the era before or during Birt’s leadership. He demanded ‘a massive attack’ on ‘the bloated, inefficient BBC that history bequeathed’ and made clear that the BBC would take risks with anti-populist and innovative programming in his policy document, *Extending Choice*.<sup>178</sup> It proposed that the two television channels would schedule and organise in a complementary manner, that BBC1 should deliver distinctive, quality programming to a wide audience and BBC2 should be a more innovative and experimental channel, addressing different audience groups.<sup>179</sup> Within that strategy of innovation and creativity, ‘derivative or formulaic’ programmes were outlawed.<sup>180</sup> But in practice, the opposite resulted. A BBC viewer said:

Years ago, prime time BBC television had loads of arts programmes, informative documentaries, inspiring series, sitcoms which made you laugh, excellent chat shows, etc. etc. Now what? Wall to wall gardening/interior design shows, soaps, too much ‘docu-soap’ guff, virtually no music shows, holiday programmes, dire sitcoms featuring past-it, unfunny has-beens from the eighties ‘alternative’ comedy scene, and films we’ve seen so often watching them can make you ill.<sup>181</sup>

The BBC has developed strands of factually based entertainment formats. Commercial broadcasters rushed to copy these ‘pop docs’ such as cooks, vets, sickly animals and gardening shows, and consequently the lightweight, cheap, factual programmes spread across the channels. Therefore, the one striking change of the Birt period in programming

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<sup>176</sup> Greg Dyke, *Greg Dyke: Inside Story*, 2004 (London: Harper Collins), p.169.

<sup>177</sup> Horrie and Clarke, op. cit., p.281.

<sup>178</sup> Birt, op. cit.(1996).

<sup>179</sup> BBC(1992), p.84.

<sup>180</sup> Ibid., p.33.

<sup>181</sup> ‘Has Birt Been Good for the BBC?’, *BBC News Online*, 2 February 2000.

has been a predominance of reality programmes over drama or entertainment. With this shift came a recognition that 'a diluted version of Reithian and Birtist ideologies could be reconciled with ratings rivalry'.<sup>182</sup> The BBC should not only respond to what the audience want but also do its own task worthy of a public service broadcaster which is funded by licence fee. It has the responsibility to dramatise classical works of literature and to schedule serious programmes at prime-time even if the audience is not as big as it once was.

Serious programmes had been marginalised and forced out of the main evening schedule. John Humphrys, a former BBC foreign correspondent and incumbent presenter of Radio 4's *Today* programme since 1987, denounced BBC's senior managers and accused them of softening the news by 'dumbing down' in a desperate attempt to shore up the ratings. He insisted that the BBC news had gone soft, opting for an emphasis on social issues with a consumerist agenda and that serious programmes were pushed to later and later slots in the schedules. He said, '*Panorama* was once on BBC1 before the *Nine O'clock News*, then immediately after it, now it is on at 10pm. *Question Time* has been moved to 11pm and *Omnibus* to 10.40pm. *Newsnight* has lost a chunk of air time as a sop to the Scots'.<sup>183</sup> Marmaduke Hussey, its former chairman, also criticised the BBC, saying that it is 'wading into a ratings battle' with the toughest, roughest, richest companies in the broadcasting world.<sup>184</sup>

Birt's management style entailed incessant criticism and deep internal dismay. He relied excessively on 'accountancy-based management consultancies' and his 'uncommunicative and uninspiring public persona' made the situation worse.<sup>185</sup> In August 1992 David Attenborough, a former BBC director of programmes and one of the most respected natural history programme presenters, delivered an unprecedented critical speech at the British Association for the Advancement of Science. He claimed that the accountant had taken over

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<sup>182</sup> John Dugdale, 'The Same, But Different', *Guardian*, 17 January 2000.

<sup>183</sup> 'What the Devil's Advocate Really Said', *Guardian*, 30 August 1999; On consumerist programming, see John Humphrys, *Devil's Advocate* (London: Hutchison, 1999).

<sup>184</sup> 'Lord's BBC Debate', *Guardian*, 3 March 1999

at the corporation and that the BBC was being ‘gravely eroded’, the morale of its staff seriously damaged, and ‘the very things that gave the BBC its unique stature and strength are being destroyed’.<sup>186</sup> In the same month, Michael Grade, the former BBC 1 controller and then chief executive of Channel 4 television, attacked Birt’s leadership at the MacTaggart Lecture. He scathingly denounced Birt’s centralised management style using ‘pseudo-Leninist’ methods.<sup>187</sup> Because the BBC had become a ‘secretive and forbidding place to work’, it was ‘an airtight fortress from which no stray opinion is permitted to escape. The staff are afraid to speak publicly unless every word has been cleared with the BBC’s own thought police’.<sup>188</sup> Next year Birt got another reproach from playwright Dennis Potter. He described Birt as a ‘croak-voiced Dalek’ and said ‘fear and loathing was swirling jugular-high’ in the corridors of the BBC.<sup>189</sup> Mark Tully, a distinguished BBC foreign correspondent, also accused Birt and his management team of employing ‘Big Brother’ tactics, demoralising and instilling fear in the staff.<sup>190</sup> Birt acknowledged his reforms made the staff uncomfortable but claimed the basis for creativity was strengthened.

Life is harder: the financial controls are tighter; the accountability needs are more pressing. But those who suggest that we have been weakened creatively as a result of this profound change are just plain wrong. The opposite is the case.<sup>191</sup>

Birt was convinced after standing down as director general that his reforms made a creatively stronger BBC. He claimed that he was ‘demonised’ for his attempts to reform the corporation.

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<sup>185</sup> Barnett and Curry, op. cit., p.208.

<sup>186</sup> Michael Grade, *It Seemed Like A Good Idea At The Time* (London: Macmillan, 1999), pp.276-7.

<sup>187</sup> *Ibid.*, pp.270-280.

<sup>188</sup> Horrie and Clarke, op. cit., p.226.

<sup>189</sup> Andrew Culf, ‘Broadcasters Back Birt’, *Guardian*, 30 August 1993; Horrie and Clarke, op. cit., p.285.

<sup>190</sup> Andrew Culf, ‘BBC Bosses Reject ‘Big Brother’ Claim’, *Guardian*, 12 July 1993.

<sup>191</sup> John Birt, ‘The Prize and the Price-The Social, Political and Cultural Consequences of the Digital Age’, *The New Statesman Media Lecture*, 6 July 1999.

This organisation went through an enormous amount of change under my leadership and that change was associated with me, and yes I did become demonised ... We ended up with a much stronger BBC creatively and an infinitely stronger BBC journalistically, with many more services, and an organisation which was no longer bloated and inefficient.<sup>192</sup>

The detractors claim that Birt had collapsed the BBC's creative culture and staff morale. In a BBC staff poll in November 1996, 97.8% of respondents said they were unhappy with the way the BBC was being managed.<sup>193</sup> Birt's drive for efficiency had eroded the skills, people and infrastructure that had enabled the BBC to be regarded with trust and affection by its audience. Programme makers have complained for years about the stifling of creativity caused by his 'permanent revolution'. The internal market, they claimed, was at odds with the way the BBC had made its quality programmes. The BBC's high quality programmes were not the product of the market or of standardisation. They were the result of a dedication and commitment to quality. Critics say that Birt's artificial market system was founded on the belief that a higher ratio of good programmes could be made by applying market principles. Gareth Jones, along with Rob Goffee, asserted that the BBC underwent an 'uncomfortable transition' under Birt's leadership.

The uncomfortable transition is now occurring in the British Broadcasting Corporation. Its director general, John Birt, has tried to focus the organisation - long known for its quality programming and public service - on efficiency and productivity. In the process, strict performance standards have been set, and colleagues have had to vie against one another for scarcer resources. As sociability has diminished, talented individuals who once saw themselves as part of a communal culture have railed against what they consider target-oriented changes. Some have decided to stay and stubbornly defend their own interests; others have chosen to leave. With its

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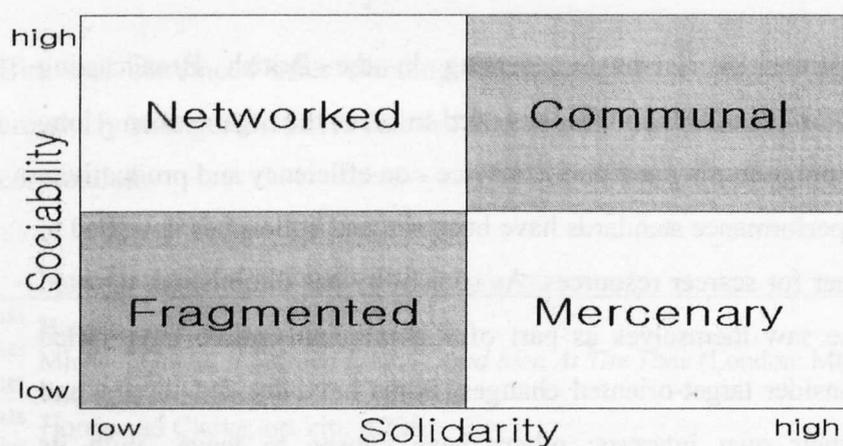
<sup>192</sup> Cited in BBC News 24's *Hardtalk* programme, 25 October 2002.

<sup>193</sup> 'Birt's Legacy', *Guardian*, 28 June 1999.

communal culture heading toward a fragmented one, the BBC faces no alternative but to reinvent itself.<sup>194</sup>

Jones, then professor of organisational development at Henley Management College, classified organisational culture into four types: networked, mercenary, fragmented, and communal. (See Figure 4-4) Categorisation is determined by the organisation's ratio of the two virtues of 'sociability' and 'solidarity'. Sociability is a measure of friendliness among members of an organisation, and solidarity is a measure of an organisation's ability to pursue shared objectives quickly and effectively. Jones claimed that there is no single ideal culture for every organisation and that different models can work in different areas. A mercenary culture can work for a highly competitive, performance-driven organisation where employees expect to work very hard for vast rewards and early retirement. The communal culture provides high sociability to bolster relationships and high solidarity to sustain focus. Jones argued that the communal model worked best for the BBC, but it became fragmented as Birt tried to focus the corporation on efficiency and productivity, separating producers from broadcasters and establishing the internal market.

Figure 4.4 Two dimensions, four cultures<sup>195</sup>



<sup>194</sup> Rob Goffee and Gareth Jones, 'What Holds The Modern Company Together', *Harvard Business Review*, November-December 1996, pp.146-7.

<sup>195</sup> *Ibid.*, p.134.

Jones' diagnosis later formed the basis of the master plan of Greg Dyke, who succeeded Birt as director general of the BBC. He was appointed as its new director of human resources and legal affairs in November 1999. Jones masterminded Dyke's blueprint entitled 'Building One BBC'. In April 2000, three months after Birt left, Dyke announced the implementation of a new management structure. The plan reversed Birt's previous strategy. The separation of the broadcast and production directorates was abolished. Internal trading was to be simplified, with a reduction in the number of business units from 190 to around 40 and the elimination of inefficient internal transactions. Dyke said that the aim was 'to create One BBC, where people enjoy their job and are inspired and united behind the common purpose of making great programmes and delivering outstanding services'.<sup>196</sup> This echoes Jones' argument of a communal BBC, where sociability and solidarity meet harmoniously. The new structure was laid out as a petal to demonstrate a less hierarchical organisation.<sup>197</sup> Dyke also declared that he would do away with an overly managed culture and instead create a culture of collaboration, where people work together for the common purpose of making good programmes. He promised to guarantee output for the BBC's own production departments, as under Birt's leadership long-range plans were impossible because BBC channels could not guarantee the work would be bought.

Birt was arguably the BBC's greatest visionary since Lord Reith.<sup>198</sup> He singled out the possibilities of the web and other digital media earlier than any other broadcaster. He paid for this emphasis by reducing production costs. He also negotiated an above-inflation licence fee settlement for digital channels. Consequently, 'no broadcasting organisation in the world is better positioned for the digital age than the BBC'.<sup>199</sup> He opened the new terrain for the BBC but the price for the prize was high. He successfully made the staff aware of the external threats and the need for urgent change. But he did it not by securing

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<sup>196</sup> BBC, *Building One BBC-Organising For the Future* (London: BBC, 2000), p.2.

<sup>197</sup> Greg Dyke, op.cit., p.164

<sup>198</sup> 'No Birt, No BBC', *Observer*, 27 October 2002

<sup>199</sup> Cited in BBC Radio 4's *Today* programme, 26 January 2000.

the understanding and consent of the staff but by inducing the climate of fear. As Dyke has put it, people perform better when they are trusted and encouraged rather than when they operate in a climate of fear.<sup>200</sup> During Birt's director-generalship, there was little trust between staff members and even less between members of top management. Though Dyke's aim of the BBC 'to become the most creative organisation in the world' now replaces Birt's vision 'to be the best managed public sector', it does not seem easy to revive the culture of creativity undermined by Birt. Lots of things need to be done to overcome Birt's legacy.

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<sup>200</sup> Greg Dyke, *op.cit.*, pp.198-204.

## **Chapter V. The evolution of broadcasting in Korea**

In order to understand Korean broadcasting today, it is necessary to look back and understand the changes that have taken place over the years. This is essential because the unique character of Korean broadcasting was not formed overnight—the structure and characteristics of Korean broadcasting today result from past broadcasting experiences, and are a product of those experiences and history combined.

Although Korean television broadcasting began much later than in the Western Hemisphere and North America, it has made notable advancements in size and quality in a relatively short amount of time. This substantial development was most evidenced in 1988. Through the supervision of the coverage of the 24<sup>th</sup> Olympiad, Korean broadcasting technology leaped to levels comparable to that of other broadcasting stations worldwide. At the beginning of the 1990s, the government redirected the country's broadcasting policy to promote both the multi-media industry and programme export, and consequently cable television broadcasts were initiated in March of 1995. In addition, digital terrestrial television service commenced in 2001 and digital satellite service was launched in March 2002. Finally, Korean broadcasting had entered the multi-media, multi-channel, and digital broadcasting era and had reached levels worthy of comparison with the renowned broadcasters of the United States of America and the United Kingdom. Discrepancies in service variety or visual/sound effects quality no longer exist between current Korean broadcasting and such services in more advanced countries.

However, there exists another side to the outward growth of Korean broadcasting—a shadow that is cast on the history of broadcasting as is the case with many other aspects of Korean society. Korean broadcasting has never been led by what is commonly regarded as the intrinsic value of broadcasting, the will to encompass public-ness and the pursuit of public interest. Even today, various groups continue to raise concerns over the political

dependence, favouritism, selectiveness, and ratings-oriented nature of broadcasting in Korea. As these problems arise, the government meets with the broadcasting committee to find quick solutions, after which the broadcaster promises that changes will take place. However, in the end, not one improvement is permanent or complete. Time passes and the same problems recur. This cycle continues not only because the solutions are mere stopgap measures with little foresight, but also because the problems stem from the deep-rooted history of Korean broadcasting, and therefore cannot be fixed with superficial policy changes.

This chapter reviews the development process of Korean broadcasting and gives the history and legacy of Korean broadcasting as the reasons why public-ness has failed to become a value of importance in broadcasting. It looks at how Korean broadcasting has come to acquire its distinct character and also looks at the motives and processes involved in its development. Opinions differ slightly on the dates of the distinct periods that best describe the evolution of Korean broadcasting, but most agree to follow the time periods set by Korean politics.<sup>201</sup> Korean broadcasting has been affected by politics to the degree that one could easily view changes in government administration as changes in broadcasting policy and culture. The management and operations of broadcasting in Korea have changed from a state-run system to state-run/private-run, public/private-run, public-run, and once again to a public/private-run system. Each of these changes coincided with either a political reform or a change in administration.

## **5.1 Emergence of Korean broadcasting under the Japanese Imperial Rule**

The onset of Korean broadcasting took place during the Japanese occupation of Korea. On

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<sup>201</sup> Haeshik Kim, *The Sociology of Korean Press* (Seoul: Nanam, 1994), p.190. Won argues that despite its usefulness, political time periods are limited by statism and cannot sufficiently explain matters which continue regardless of regime changes, the taking of office or the influence of capital upon broadcasting. Yongjin Won, *The Diagnosis of Democratization of Korean Press: Focused on*

February 16, 1927, Kyung Sung Broadcasting Station sent out the first radio broadcast using the JODK call sign.<sup>202</sup> With the establishment of the government of the Republic of Korea in 1948, the Korean Broadcasting System (KBS) was modelled after the structure of Kyung Sung Broadcasting Station as a government sector under the influence of the Bureau of Public Information. The Korean Broadcasting System also celebrated February 16 as its anniversary until the KBS became a public-run system. KBS's slogan '76 Years of Korean Broadcasting, 30 Years of Corporation' recognises that Korea finds its broadcasting origins in the example set by Kyung Sung Broadcasting Station. However, many debate whether broadcasting during the Japanese occupation can accurately be classified as Korean broadcasting,<sup>203</sup> while others have advocated the inclusion of broadcasting by Kyung Sung Broadcasting Station in Korean broadcasting history.<sup>204</sup> Some hold the position that September 3, 1947, the day when Korea received its own call sign, HL, should be marked as the starting point of Korean broadcasting.

In 1924, the Japanese Imperial Rule made plans for the founding of a broadcasting station and sent technicians from the Department of Communications to Japan in order to learn broadcasting skills. They succeeded with the first experimental broadcast in November of that year, and starting the next year broadcasts were executed at given intervals at radio experimental laboratories in the Department of Communications. In order to regulate broadcasting, the Japanese Imperial Rule followed the policies of the Japanese communications department in requiring that civilians who showed interest in broadcasting

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*the Period 1987-1997* (Seoul: Communication Books, 1998) p.31-2.

<sup>202</sup> After being allocated the national call sign 'JO' by ITU, Japan established radio broadcasting stations in Tokyo (AK), Osaka (BK), and Nagoya (CK) in 1925. To support the enforcement of Japanese Imperial Rule, Kyung Sung Broadcasting Station was assigned the call sign DK. Changbong Choi and Hyundoo Kang. *Korean Broadcasting 100 Years* (Seoul: Hyunam, 2001), pp.19-26.

<sup>203</sup> Kang argues that Kyung Sung Broadcasting Station should be considered a branch of Japanese Broadcasting rather than the root of Korean broadcasting because it was established by the Japanese people and its function was to justify Japanese Colonialism. Hyundoo Kang, 'How To View Kyung Sung Broadcasting Station?' Hyundoo Kang and Uryong Kim (eds.), *Korean Broadcasting* (Seoul: Nanam, 1989), pp.14-23.

<sup>204</sup> Uryong Kim and Insook Jung, *The Understanding of Mass Media*, 2<sup>nd</sup> ed. (Seoul: Nanam, 1999),

businesses formulate a single entity over which they (the government) could exercise greater control.<sup>205</sup> Eleven groups banded together to form a united corporate aggregate, which then became Kyungsung Broadcasting Station.

When we compared this case with the British one, some similarities and differences are found. In both cases, many civilians competed to set up broadcasting stations, but the governments persuaded those applicants to form one company as a consortium. The characteristics and purposes of participants in the consortium were not same: while British participants were wireless manufacturers aware of a potentially huge market for them to supply, Korean participants were mainly newspaper companies and civilian bodies who wanted to expand social power or to gain indirect advantages by running a broadcasting station. The reasons why the two governments persuaded the applicants to form one company were different: while the Postmaster-General of Britain wanted to solve the problems of radio interference, the Governor-General of Korea intended to gain better control over broadcasting. The BBC started as a speculative enterprise, but the Kyungsung Broadcasting Station was a non-profit corporation. The Government-General of Korea exercised control over all aspects of Kyungsung Broadcasting Station, including human resources and operations. The executive committee of the station, the top management body, consisted of eleven Japanese and five pro-Japanese Korean directors. The chairman and two managing directors of the committee were appointed among Japanese directors through the approval of the Governor-General of Korea.<sup>206</sup> The Kyungsung Broadcasting Station was constantly experiencing financial difficulties as it was established under colonist policy rather than on the domestic demands of the market. At that time the Kyungsung Broadcasting Station's total capital consisted of 400,000 won, with 300,000 won of this sum being a loan financed by the Japanese Imperial Rule. Compared to 300,000 won of

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pp.157-9.

<sup>205</sup> One of the enforced media policies of Japanese Imperial Rule was that the broadcasting business should be operated by non-profit organisations. NHK met the same conditions in Japan. Minnam Kim et al. *The History of Korean Press Rewritten* (Seoul: Achim, 1993), p.417.

<sup>206</sup> Yim Dongwook, 'The History of Korean Broadcasting', Minnam Kim et al. (eds) *The History of Korean Press Rewritten* (Seoul: Achim, 1993) pp.409-410.

NHK, which had been set up in Japan one year before, it was a rather big amount of money but it was exhausted in a few months.<sup>207</sup>

In the beginning, the Kyungsung Broadcasting Station sent out a single radio broadcast which alternated between Korean-spoken and Japanese-spoken programmes with the ratio of 1: 3.<sup>208</sup> The Japanese channel was broadcast for those Japanese living in Korea, and usually consisted of direct broadcasts from NHK (Nippon Hoso Kyokai: Japanese Broadcasting Corporation) or lectures from Japanese Imperial Rule. The Korean channel focused on the enlightenment of Korean culture, but in the end it failed in its attempt to alleviate the effects of the colonisation of the Korean people.

In 1933, the single broadcast was changed into two channels which sent out Korean programmes and Japanese programmes simultaneously. With the commencement of the Korean language channel, the regulation and control over broadcast contents was intensified. The Department of Communications at the Japanese Imperial Rule sent a 'programming guideline', a 'cautionary subject', and a 'wish list' to the broadcasting station in the hopes that those factors would be reflected in programming. The Kyungsung Broadcasting Station was obliged to submit programming schedules every month prior to its broadcast to the Broadcasting Commission, a division of the Government-General of Korea. In addition, all scripts for broadcasts were submitted to an inspection committee for discussion and approval. In addition, a monitoring system was set up at the station so that all programmes could be screened and immediately taken off the air if unapproved content was broadcast.

The Kyungsung Broadcasting Station was established to function as a link for Japanese

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<sup>207</sup> The chairman and two managing directors took the responsibility and resigned just four months after Kyungsung Broadcasting started its broadcast. Ibid., pp.410-411.

<sup>208</sup> There were 1,277 radio receivers in the Korean peninsular as of the launching day, of which 1,023 belonged to Japanese people and 254 of which belonged to Korean. The Korean language programmes were scheduled on the fringe times after 9:40 pm. KBA(Korean Broadcasters Association), *Seventy Years of Broadcasting in Korea* (Seoul: KBA, 1997). p.93, 95-6.

cultural politics. In form, it was a civilian owned, private and corporate aggregate; however, in capital structure as well as in management it was a government-controlled entity. The broadcasting station's role as a tool for both propaganda and Japan's authoritative politics continued long after that country's departure.

## **5.2 The period of state-run broadcasting**

### **5.2.1 Broadcasting under U. S. Army Military Government in Korea**

After the defeat of the Japanese in World War II, the United States and the USSR's joint decision to divide the Korean peninsula was put into effect on September 8, 1945, as the Americans who arrived at Incheon proclaimed Korean territory south of the 38<sup>th</sup> parallel. The American military followed Military Statute 2 that called for 'the freezing of any assets belonging to the defeated and restrictions on transfer of those assets', and Statute 33 which stipulated, 'the return of possessions of those Japanese residing in Korea' and defined as enemy property all organs of speech and institutions.<sup>209</sup> Those newspapers and publishers that were seized by the Americans were placed under Korean control; however, broadcasting stations were placed under American military authority. Broadcasting under Japanese rule was managed by corporate aggregates independent of Japanese rule, at least in name, but broadcasting under American military authority fell under the strict rule of government control and was run directly by military authorities.

In September 1945, the military authority acknowledged the Chosun Broadcasters' Association (CBA) as the official owner of the Kyungsung Broadcasting Station. But, in all but name, the station was run by the military. The military appointed Lieutenant-colonel William Glass as the supervisor of CBA and let him exercise a de facto exclusive right to the station. Military officials dispatched in the name of advisors began to take charge of

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<sup>209</sup> Minnam Kim et al., *op. cit.*, p.443.

every operation at every department of Kyung-sung Broadcasting Station. The activities of regional stations were also under the supervision of the military.

As a matter of convenience, the military kept the Korean employees who had been working under the Japanese colonist government. It was not interested in the fact that they had worked for the Japanese regime. It was concerned only with their broadcasting experience and skills. What was important for the military government was to have a stable management of occupied Korea rather than to help it establish a new legitimate leadership.<sup>210</sup> The military advisors decided that those who had contributed to propagate pro-Japanese ideology could stay in the station and work for the American military government. This resulted in the formation of the opportunistic character of Korean broadcasting, one that is highly influenced by whatever political power it was subjected to. Under the American military, Korean broadcasting lost an opportunity to examine its past and correct its faults, and therefore reform itself.

In the following year, the military absorbed Kyung-sung Broadcasting Station and transferred it to its Public Information department. It was an inevitable decision for the military that had controlled the station without legitimate grounds. And the military could not establish obvious lines of policy between the station and the CBA. As far as broadcasting was concerned, the media policies of military governments in Korea and Japan were different. Though both used broadcasting to facilitate their governance of occupied territories, the one focused on its present use, while the other took its future direction into consideration. The SCAP (Supreme Commander Allied Powers) insisted that the NHK should be an 'autonomous organisation', completely separate from other executive branches of the Japanese government.<sup>211</sup>

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<sup>210</sup> Lee Wanbum, 'World Order After the War and US Policy on Korea', *Korean History: The Fixation of Divided Structure* (Seoul: Hangilsa, 1994) p.55.

<sup>211</sup> SCAP note, 22 October 1947; Cited in Michael Tracey, *The Decline and Fall of Public Service Broadcasting* (Oxford: Oxford University Press), p.135.

Whether it is created as an organ reporting to the Diet or not, is not of importance at this particular point, but it must be an autonomous organisation. It must be completely separated from the Ministry of Communications, Ministry of Education, Finance and any other ministry and will not report to any ministry. It is the type of organisation that is not to be dominated by any political party, by any private corporation or group or association of individuals.

Following the themes of the SCAP, the Diet passed the Broadcast Law in 1950. The law stipulated the duties of the NHK and outlined its reorganisation.<sup>212</sup> The NHK was to make management responsible to the public, to prevent political domination and safeguard its freedom, to give it clear legal status, and to make it financially accountable to the people. The NHK was reborn utterly as a quasi-governmental corporation.

The military authority in Korea reorganised the broadcasting system to mirror an American broadcasting station. Therefore, a division of labour took place as the planning, production, and transmission of programmes were separated.<sup>213</sup> The content and form of the broadcast programmes themselves were also changed and Americanised. There was an increase in programmes similar in format to American television, and programmes geared towards entertainment also increased as Korean broadcasting started to follow American trends even more closely.

Although American military authority in the southern part of the Korean peninsula only lasted three years, its influence is still apparent in the culture of Korean broadcasting. Broadcasting under American military authority led to the beginning of a state-run broadcasting system with the establishment of the new government, yet it also provided an opportunity for Korean broadcasting to take the form of American commercial broadcasting. This can be contrasted with the effect that Americans had on the Japanese broadcasting

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<sup>212</sup> Ibid., 149-150.

<sup>213</sup> Jungpal Roh, *Korean Broadcasting and 50 Years* (Seoul: Nanam, 1995).

system.<sup>214</sup> Japanese broadcasting successfully shed its military characteristics and publicised its broadcasting services. The Japanese broadcasting committee emerged from its existence as a political entity and was reborn as a cultural medium for its people.

### **5.2.2 Broadcasting after the formation of the Republic of Korea**

On August 7, 1948, as the Constitutional Assembly passed laws regarding government organisations, the broadcasting station was placed under the control of the Bureau of Public Information. As a result, broadcasting became a government-run sector. As the broadcasting station (KBS) was placed under the influence of the Bureau of Public Information, its somewhat neutral status under the American military was lost and it became a conduit for anticommunist propaganda under the ideology of the Rhee Seungman administration.

This station broadcast programmes promising the recovery of lost territory and the rescue of patriots north of the 38<sup>th</sup> parallel such as ‘A Word for Brothers in North Korea’ and also aired promotional programmes fostering the unity of the Korean people with anticommunist propaganda such as ‘The Way We Should Take.’<sup>215</sup> The government regulated the press as an additional anticommunist medium concurrently, restricting news reports through ‘The Press Guideline.’<sup>216</sup>

The breadth of ‘The Press Policy Outline’ is so extensive that the degree of regulation employed could be altered flexibly. Under anticommunist politics, the broadcasting station was the target of strict regulation from the government as a government organisation and thus followed these policies in their entirety. This emphasis can be seen as a natural effect

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<sup>214</sup> Kang and Kim, op. cit., p.19.

<sup>215</sup> KBS, *60 Years of Korean Broadcasting* (Seoul: KBS), p.136.

<sup>216</sup> ‘The Press Guideline’ prohibited reports which were against the national policy of Korea, which criticised government, which approved of communism or North Korea, which were fabricated, which impeded diplomatic relations with friendly nations or damaged the national dignity, which created a disturbance in the mind of the people, and which revealed national secrets. Ibid., p.137.

of the wide acceptance of anticommunist sentiments during the post-war era, but it is also rooted in the government's absolute control of broadcasting operations. Those in charge of broadcasting were all government employees, and a large proportion of those employees had also worked for the government during both Japanese occupation and US military control. This staff had only seen the broadcasting station function as a mechanism of propaganda. They had neither a code of ethics nor morals as broadcasters nor were they expected to exercise these traits in their profession. During the Korean War, the broadcasting station went into decline and functioned solely as a means for the government's announcements to reach the Korean people. As a result, the population was left in confusion as to what the objective of broadcasting had become.

Korean broadcasting started in the form of a state-run broadcasting station with the establishment of a Korean government and its staff never had the chance to reflect on the consequences and historical ramifications of broadcasting under Japanese occupation and under US military rule. No conclusive decisions were reached regarding the ideology or rationale for the existence of broadcasting, the fundamentals of broadcasting operations, or desirable management structures. As a result, Korean broadcasting was used as a tool for government propaganda long thereafter, unable to stabilise its foundations or achieve recognition as a true broadcasting station.

### **5.3 Mixed system of state-run and private-run stations under the Rhee's regime**

As the Christian Broadcasting Station (CBS) was established in 1954, a new era of broadcasting began as state-run and privately owned broadcasting coexisted. CBS could be founded at a time when KBS was a monopolistic broadcaster because of its unique characteristic as a religious station, and the effects of widespread Christianity at the time.<sup>217</sup> Because CBS received funding from the United States, it was not pressed economically and

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<sup>217</sup> Minnam Kim et al., op. cit, p. 456.

could spend freely on the production of its programmes.

In the beginning, CBS did not produce news reports; instead, they aired KBS news programmes. However, starting in 1958, CBS aired self-produced news programmes and received much attention before and after the April Revolution of 1960<sup>218</sup>. KBS's relative silence after the unjust election on March 15 was contrasted with CBS's impartial and prompt reports, and as a result viewers turned to CBS. The continuation of KBS's silence greatly dissatisfied viewers and KBS had no option but to resort to quick and accurate reporting. As Rhee Seungman left his office, KBS announcers declared neutrality.<sup>219</sup> They proclaimed a return to the innate characteristics of broadcasting, charging that broadcasting must be fair and impartial, and demanded neutrality in broadcasting. Subsequently, reporters of various newspapers printed articles supporting the neutrality of broadcasting along with neutrality of the police force. The National Assembly also dealt with this issue and 'Broadcasting Management Law' was submitted as parliamentary legislation. However, because it did not include basic information such as provisions for independence in the appointment of KBS managers, it did not receive much support and was automatically abolished as the 4<sup>th</sup> National Assembly disbanded.

In 1959, the first civilian commercial broadcasting station was established and named the Pusan Munwha Broadcasting Company (MBC). The founding of Pusan MBC is notable for it was unique in many aspects. The company launched in a region other than Seoul and only later built a station in Seoul in 1961, going against the normal trend of broadcasting stations. Also, Pusan MBC took the risk of testing the market for commercial broadcasting in an area where no market data for such a business existed.<sup>220</sup> Had Pusan MBC failed in its attempt, founding a commercial broadcasting station in Seoul or any other region would

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<sup>218</sup> In 1960, a series of demonstrations broke out, as an expression of hostility toward the corrupt government, which brought Rhee's regime to an end. Kyu Kim et al., *Broadcasting in Korea* (Seoul: Nanam, 1994), p.32.

<sup>219</sup> Jungpal Roh, *Korean Broadcasting and 50 Years* (Seoul: Nanam), pp.348-9.

<sup>220</sup> Minnam Kim et al., *A Study on the Significance of Broadcasting History of Pusan MBC* (Pusan MBC, 2002), pp.32-3.

have been further delayed. Pusan MBC also acted as a buffer against the penetration of Japanese culture. Pusan and the regions surrounded by the South Sea were areas that remained under Japanese influence. As Japanese commercial broadcasting had started in 1951, penetration of electric waves became even more intense. In this situation, Pusan MBC's role was to prevent Japanese broadcasting from entering Korean territory.

#### **5.4 Broadcasting under the Park's regime: state/private-run and public/private-run system**

The military authority which seized political power in the May 16, 1960 coup d'état advocated anti-communism and economic growth in order to secure power, and promoted modernisation as the ideology behind national development. However, the policies and actions taken in the name of modernisation did not include all cultural aspects; instead, the concept became a narrow and confined modernisation exclusively applied to the economy.<sup>221</sup> From 1960 on, the term 'development' became solely associated with the economy and 'an advanced country' also referred exclusively to the economic status of the country.<sup>222</sup>

The military authority used broadcasting as a method of strengthening its economic growth and anticommunist ideology. Unlike its reduction of newspaper and periodical policies, this government provided multiple policies for broadcasting.<sup>223</sup> In addition to revising the laws associated with broadcasting and thereby enlarging the government's role and responsibilities, there was also continued government support of the development of privately owned broadcasting stations. The opening of various privately held stations such

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<sup>221</sup> Yongshin Park, *The Introspective Recognition on Our Society* (Seoul: Phenomena and Recognition, 1995), p.112.

<sup>222</sup> *Ibid.*, p.115.

<sup>223</sup> Daein Kang, '70 Years of Korean Broadcasting, Its Political and Economic Characteristics,' Korean Broadcasting Society (ed.) *The Appraisal and Prospect of Korean Broadcasting 70 Years* (Seoul: Communication Books, 1997), p.25.

as Munwha Broadcasting Company (MBC), Dong-A Broadcasting Station (DBS), and Radio Seoul (RSB), can be attributed to the fact that the Park Junghee administration openly exercised expansionary economic development policies. Although the increase in the number of broadcasting stations enabled the public to enjoy a wide variety of shows, the rivalry between public and private broadcasting stations and among private broadcasting stations grew fierce as competition for higher ratings resulted in lower quality, entertainment-oriented television shows.

Korea's first television broadcast occurred in 1956, when HLKZ-TV aired its test run programme, but regular broadcasting began on December 31, 1961 with the opening of KBS-TV. The military authority rushed the opening of KBS-TV, allowing only four months after the plans were finalised, to impress upon the Korean people that this was 'a Christmas present from the revolutionary government'.<sup>224</sup> In the beginning, KBS was run by government funds and later, starting in January of 1963, the 'Public Television Service Special Accounting Law' classified television within a special accounting framework. Temporary laws governing television services ruled that KBS was to charge licence fees and air commercials in order to appropriate the costs of broadcast television. KBS aired advertising until May 1969, and then operated using revenues from the government budget, licence fees, and advertising revenues combined.<sup>225</sup>

In December 1964, the private broadcaster TBC, established by the Samsung business group and merged with RSB, opened stations in Seoul and Pusan and MBC-TV was founded in 1969. As the three main broadcasters emerged, competition became fierce and programmes were developed purely for entertainment value, since programming was developed with the sole objective of raising ratings, thus pushing the quality of shows lower and lower. Competition in the production of soap operas grew, and entertainment programmes were aired during prime time, while cultural and educational programmes

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<sup>224</sup> Changbong Choi and Hyundoo Park, op. cit., p.169.

<sup>225</sup> Kyuseok Seo, 'Broadcasting 30 Years', *Journalism Study* (Autumn 1975); Cited in Haeshik

were pushed to less popular time frames.

Regulation of speech increased as the Revitalising Reform structure was initiated. The government revised broadcasting laws, established the Korea Broadcasting Ethics Committee and created a deliberative council for the preliminary discussion of programmes. The Ministry of Culture and Information increased its intervention in the broadcasters' programming by enforcing a timeslot structure. KBS took on the sole responsibility of advocating the position of the 'Saemaul' (New Village) Movement and a reorganisation of television programming took place as specific scheduling guidelines were set.<sup>226</sup> The government strongly encouraged news reports which guided society to be bright and healthy, advised broadcasters to air at least one programme a day which showed the victory or accomplishments of mankind, and insisted on a timeslot during which the government could promote governmental policies. The military authority continued its monitoring of television broadcasting officially through the Ministry of Culture and Information, and unofficially through its tight control of intelligence authorities. Eventually, all mediums of broadcasting were placed within the framework of official regulation. This restrictive environment hindered the advancement of broadcasting as a form of cultural expression, but it did have a positive impact on the advancement of broadcasting as a business. A high degree of economic growth led to an enlarged advertising market, which in turn led to an increase in profits for broadcasting stations.

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Kim, op. cit., p.107.

<sup>226</sup> Haeshik Kim, op. cit., p.144.

Table 5.1 Programming guideline directed by the Ministry of Culture and Information<sup>227</sup>

<b>Timeslot</b>	<b>Broadcast Programme</b>
6 p.m.	Children's programmes
7 p.m.	News and entertainment programmes suitable for family watching
8 p.m.	Private broadcasters: Cultural programmes, educational dramas about the masters and period dramas about heroes who overcome difficulties KBS-Documentary programme
9 p.m.	9:00~9:30-News After 9:30-Entertainment programme and drama (soap opera, imported drama, weekly drama, etc.), soap operas - 2 daily maximum
Weekend	Leave to broadcasters' discretion

On the other hand, the KBS Central Broadcasting Station, which had been a state-run broadcaster, became a public corporation in 1973 and was renamed the 'Korean Broadcasting System'. KBS had been severely constrained as a state-run broadcasting station. As government employees, the staff were restricted in their production of news reports and interviews as well as in programming. Also, KBS had difficulties supplying the necessary manpower, such as reporters, producers, and technicians, in various fields. Although KBS was not able to establish itself as an independent corporation, it now could escape the framework and characteristics of a state-run broadcaster and equipped itself with professionals in the various fields, successfully transforming into a true broadcasting organisation. However, there was no societal debate even during the transformation of KBS from a state-run station to a public service broadcaster. No deliberation over the ideology or the fundamentals of public service broadcasting took place. There was only an exclusive discussion amongst officials of the Ministry of Culture and Information and 'permission' from the president, allowing these changes to take place. In that respect, the publicising of KBS did not free it from the framework of other broadcasting policies in Korea to date.<sup>228</sup>

<sup>227</sup> Changbong Choi and Hyundoo Kang, *op. cit.*, p.225.

<sup>228</sup> Broadcasting policies in Korea have been made by the government unilaterally ('a governmental mobilisation mode'), and their decisions and execution processes have been implemented within a very short time frame ('a blitz mode'). Daemin Kang, *op. cit.*, p.14.

The process to be a public service broadcaster of KBS forms a striking contrast to that of the BBC. The decision of transformation of KBS did not take long. There was no public debate in the form of royal commission or committee to review the conduct of KBS, the general nature of the service provided, and its possible future development. The one-sidedness and rashness and the absence of a mechanism for public debate are the consistent characteristics of the Korean broadcasting policy procedure.

### **5.5 Period of public broadcasting under the Chun's regime**

The new military authority solidified its autocratic power even before the Korean people had a chance to feel the 'Spring of Seoul' after the 10·26 incident.<sup>229</sup> The new regime gained power by bringing about the 12·12 incident and used student demonstrations against military authority as justification to overtake the political party on 17 May 1980. Once in power, opposition movements such as the Kwangju Pro-democracy Movement were suppressed and the National Emergency Planning Commission was founded to firmly establish the administration of the state. On 27 August, Doowhan Chun, the leader of the new military authority, became the new president through an indirect vote of the government-patronised electoral body. The new administration, which showed little justice and fairness in its grasp of political power and the election, thoroughly and systematically restricted free speech and the press.

The new military authority revived the intelligence office and started collecting data on civilians, while also creating the 'Press Manoeuvring Team' to devise the 'K-Scheme,' a plan to restrict the press even further.<sup>230</sup> In July, to eliminate potential opposition

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<sup>229</sup> 18 years of dictatorship by President Park ended with his assassination on 26 October 1979. After Park's death, the Korean people experienced democratic society until army general Doowhan Chun gained power. Prior to this, he seized power in the military by coup d'état on 12 December 1979. The period between 26 October 1979 and 17 May 1980 is called the 'Spring of Seoul'.

<sup>230</sup> K-Scheme, the press maneuvering scheme of the new military authority, was introduced in 1996 as part of the 5<sup>th</sup> public trial process of the '12·12 and 5·18 incidents'. 'K' stood for King, bringing

movements, the administration drew up the 'Press Self-Purification Plan' and listed individuals who were to be dismissed from their respective positions in broadcasting. The new military authority advised each company to fire its own employees. Following this order, the Newspaper Association, the Broadcasting Association, and the Communication Association adopted 'The Resolution to Self-Purify the Press and Upgrade the Quality of People Engaged in the Press' and coercive dismissals were carried out at each broadcasting station.

Following these dismissals, corresponding measures were taken in November when the 'Press Merging and Abolition Move' took place. Representatives from each company were summoned and notified of this act and were then compelled to sign the agreement.<sup>231</sup> The Newspaper Association and Broadcasting Association then adopted the 'Resolution for the Healthy Promotion of Freedom of Speech' and together confirmed the Press Merging and Abolition Move. Only six centralised newspapers survived and only one local newspaper was permitted in each of the respective provinces, following the rule of 'one province, one paper.' Broadcasting shifted to public broadcasting, as all privately managed broadcasting stations were abolished. Consequently, only KBS and MBC continued. Five broadcasting companies, including DBS and TBC, were unified under KBS, and 21 formerly independent corporations that were affiliates of MBC became MBC subsidiaries. During this process, the government granted KBS with 70 percent of MBC's stock, excluding the stock held by the 5·16 Scholarship Committee, making KBS the majority shareholder of MBC. CBS lost its news reporting function and continued to exist solely as a gospel station. Meanwhile, the Korean Broadcasting Advertising Corporation (KOBACO) was created with the objective of 'firmly establishing the public-ness of Korean broadcasting and the restoration of profits to society'.<sup>232</sup> As a result, broadcasting companies could no longer receive advertising requests directly, but had to receive advertising through KOBACO. At

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Doowhan Chan forward as president. 'Close Inquiry into the Press Maneuvering in 12·12 and 5·18 Trials,' *Chosun Daily News*, 23 April 1996.

<sup>231</sup> MBC, *Now We Can Say - The Press Merging and Forcible Dismissal* (Television Programme), 12 December 1999.

the same time, to secure KBS's increased operating funds and to streamline the income from advertising, the Korean Broadcasting Act was amended, permitting KBS to air commercials. From an industrial point of view, this public broadcasting system helped the growth of KBS and MBC. The two broadcasters benefited from a guaranteed 50/50 split of the market share in advertising and therefore competition for ratings became unnecessary. Also, as the number of television sets increased, broadcasting advertising rates also increased and KBS and MBC were free to grow in a stabilised market.

With the merging and/or abolition of broadcasting, Korean broadcasting was public broadcasting only in form. In actuality it was 'centralised state-run broadcasting'.<sup>233</sup> Because the impetus behind these changes was merely a desire to change the ownership structure to facilitate tighter control, restructuring did not lead to better quality public broadcasting. As the government gained greater control over the appointment of executives to KBS and MBC, broadcasting fell under even more regulation from the government. The Chun administration strengthened content regulations over broadcasting as it restructured broadcasting laws. The Ministry of Culture and Information instructed broadcasters on the direction, content, and format of news reports and other programmes on a daily basis.<sup>234</sup>

Along with coercive measures, the Chun government used means of enticement. It provided media organisations economic favours. By building barriers to enter the media market, the government secured the profits of the existing media organisations. It also gave tax benefits to media organisation and journalists: the tax tariff was lowered from 20 percent to 4 percent in support of newspaper companies which imported high-speed rotary press machines; and journalists were given exemption from taxation on 20 percent of their

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<sup>232</sup> Article 1, *The KOBACO Law* (enacted in January 1981).

<sup>233</sup> Jaecheon Yoo, 'From Authoritarianism To Self-Regulation and Intervention: Press Policies in the 1980s,' *Thought* (Autumn 1991), p.41.

<sup>234</sup> The Public Relations Office, which functioned under the Ministry of Culture and Information, sent a 'Publicity Adjustment Guideline' which specified the content and composition of reports, with judgments on the reporting of daily events under the category of 'approval', 'diasapproval', and 'absolute disapproval'. *Mal* (6 September 1986).

income.<sup>235</sup> There was no case of rejecting these ‘carrot’ means whether from media institutions or media professionals. Many prominent journalists joined the ruling party and turned to politicians with the inauguration of the Chun regime. They were deeply involved in the enactment of the Basic Law which suppressed the proper role of the media. Domesticated by those ‘carrots and sticks’, media organisations and media professionals went back on their obligation of fairness, objectivity and impartiality. They reflected the interest of the government rather than that of the public. This subordination of the media to governmental influence inevitably caused civil protests against the media in general, and the public service broadcaster, KBS in particular.<sup>236</sup> The public-ness of broadcasting disappeared as broadcasting once again became a propaganda tool for the government. Finally, the Korean people responded with dissatisfaction and took part in the ‘Refusal To Pay Licence Fees Movement’.<sup>237</sup>

This movement had the wide support of the people over a period of three years. It was stirred by news bulletins perverting the truth. For example, KBS reported that the standard of living had remarkably improved despite the economic hardships of the common people, farmers in particular. Farmers infuriated by misleading reports started to express discontent against KBS and in turn refused to pay the TV licence fee. This incident developed into a nation-wide movement with the 1985 general election. As the election approached, TV news became extremely partial to the government party candidates. The tight collusion between politics and broadcasting began when the Catholic Farmers’ Association in Wanju

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<sup>235</sup> Dongwhang Joo et al., *Understanding the Media of Korea*, (Seoul: Korean Federation of Press Unions, 1997) pp.187-188.

<sup>236</sup> A survey conducted by the KBS Trade Union in 1993 reveals that 39.5 percent of viewers misunderstood KBS for a state-run broadcaster. Sangyo Lee, ‘Future Prospects for KBS’, *Conference for Media Forum* (Seoul: Korea Federation of Press Union, 1993) p.35; cited in Younghan Kim, *Broadcasting Audience Movement in Korea* (unpublished master degree dissertation: University of London, 1998) p.22.

<sup>237</sup> The movement embodied a ‘nationwide question’ against broadcasting which consistently favored government and routinely scheduled low quality entertainment programmes, while questioning Chun’s broadcasting system in general. Changbong Choi and Hyundoo Kang, op. cit. p.299. A detailed account of the movement is described in Junman Kang, *The History of Broadcasting Democratization Movement in Korea* (Seoul: Taeam, 1990), pp.9-27.

issued a statement on 28 April 1985, which said that the 'KBS-TV licence fee should be collected only from the ruling Democratic Justice Party and the government!'<sup>238</sup> The movement reached its peak in 1986 and the first half of 1987.

The 'Refusal to Pay Licence Fee' movement, the first organised audience movement in Korea, revealed the people's perception of broadcasting. It was a warning to Korean broadcasting in general and KBS in particular which neglected to fulfil the public service remit. Thus the recovery of the people's trust is a problem to be solved for Korean broadcasting and KBS.

## **5.6 Korean broadcasting in the 1990s**

Broadcasting under the Taewoo Roh administration returned to a public service/private management structure. In 1990, the government passed an amendment to the existing broadcasting act, once again permitting privately managed broadcasting. Subsequently, the Pyungwha Broadcasting Corporation (PBC), the Buddhist Broadcasting System (BBS), the Traffic Broadcasting System (TBS), and the Seoul Broadcasting System (SBS) were approved and launched. Thus ended the public broadcasting structure, after ten years. The merging and abolition of broadcasting in 1980 was justified by the competition between commercial broadcasting stations, and this competition was now promoted as 'a new system for a new era.' Public broadcasting, which had initially been considered the ideal structure for Korean broadcasting, was now condemned as a 'hotbed of inefficiency'.<sup>239</sup> This identification of public broadcasting was very similar to that of the Thatcher administration when it attacked the BBC. The rhetoric of competition and marketplace in Thatcherite philosophy was reiterated in Korea just a few years later.

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<sup>238</sup> Younghan Kim, *op. cit.*, p.24.

<sup>239</sup> Hyundoo Kang, 'The Reality and Task of Korean Broadcasting Considered From the

The opening of the television airwaves was inevitable in a time of multi-media and multi-channel broadcasting; however, it can be viewed more precisely as a measure to recover government control over broadcasting, which had slowly weakened after 1987 as movements for the promotion of broadcasting democracy became more active.<sup>240</sup> The Roh administration reduced direct regulation but increased indirect regulation over broadcasting at this time. However, rationalisation for the continuation of government regulation over broadcasting remained constant; a weakened foundation of power combined with greater societal demand for democracy justified indirect control over the approval of commercial broadcasting with the appointment of executives, instead of direct control over the content of broadcasting as previous. Ultimately, Korean broadcasting resorted once again to a public service/private-owned model after ten years, without serious evaluation or reflection on the definition of public service broadcasting.

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Beginning,' *Thought* (Autumn 1991), p.193.

<sup>240</sup> Haeshik Kim, op. cit., p. 183.

## **Chapter VI. Problems in the legacy of Korean broadcasting and how they can be solved**

The nature of a society today was not built in haste by the impromptu decisions of a group of people. It has been formed historically through the collective process of many people's thoughts on the political, economic and social values, direction, and conditions of life there. In a similar way, the nature of the Korean society today is not a reproduction of any other country but the result of its own long history. The fabric of Korean society has been woven through the collective process of its own political, economic and social traditions. It is in this historical tradition of Korean society that we can understand its present situation. In a similar way, to understand the nature of Korean broadcasting today, it is necessary for us to discuss the historical tradition upon which it has been established.

But what is the nature of public broadcasting in Korea? Broadcasting is intrinsically a public service. Broadcasting in the United Kingdom started as a public service under the limitations imposed by a scarcity of broadcast frequencies. What we call public broadcasting can be better defined as 'public service broadcasting,' emphasising that it is 'broadcasting intended to serve public interest.' However, this terminology is misused in Korea, as the word 'public' merely points out that it is a station that is publicly owned. The intention of public service is disregarded in Korea where public broadcasting connotes commercial broadcasting under public ownership, rather than broadcasting for the public good.

What needs to be done in order for Korean broadcasting in general and KBS in particular to acquire public-ness? Many things come to mind; however, as the past dictates, emphasis needs to be placed on the achievement of political independence. Another emphasis should be placed on the economic structure of KBS. If KBS can play its role as the quality setter just as the BBC does, its excessive dependency on the advertising revenue should be

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ameliorated. This chapter discusses problems which Korean broadcasting has as a consequence of its distorted development process, and explores how those problems can be solved. With a view to ensure the public-ness of broadcasting in the future, this chapter examines the problems in three areas: regulatory framework, financing and programming. It also suggests a cultural approach, which has not been a topic of much discussion.

## 6.1 Regulatory framework

Korean broadcasting advocates 'public service', but in practice, it competes excessively for the audience' share without exercising its public role. One of reasons is the absence of an independent organisation to regulate its broadcasting, free from the government. Though there was such an organisation, the Korean Broadcasting Commission (KBC), it was nominal and devoid of its own substantial power to supervise its broadcasting under a coherent standard. While the broadcasting policy of Britain has been decided on the basis of the reports of successive committees with a little influence from the government, frequent government interventions distorted the structure of Korean broadcasting without consistent principles and that influence still remains.

The organisation of the current Korean Broadcasting Commission, which has broadcasting-related administrative powers, and the appointment procedure for the president of KBS have been subjects of much debate as they relate to the achievement of political independence and autonomy of broadcasting. The Commission is composed of nine commissioners appointed by the President for three-year terms. The Chairman of the National Assembly nominates six commissioners 'for the political impartiality of the Commission'.<sup>241</sup> But the appointments of commissioners are basically as political as their nominators are. The political impartiality of the Commission is more likely to break when

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<sup>241</sup> KBC, *Korean Broadcasting Outlook: A Guide to KBC and Korean Broadcasting Industry* (Seoul: KBC, 2000).

the Chairman of the National Assembly comes from the government party.

After more than five years of deliberation by the National Assembly, a new Broadcasting Act was passed in December 1999 and went into effect on March 13, 2000. The new Broadcasting Act replaced the four existing laws concerning broadcasting. Upon the Act, KBC was reorganised and newly launched in March 2000. The Commission is an independent regulatory and policy-making body unlike the traditional government ministries. The Commission is now in charge of overall broadcasting policies governing all electronic operators including terrestrial broadcasters, cable and satellite operators, programme providers and other broadcasting services in Korea.

While newly unifying the legal system for all broadcasting media and consolidating regulatory functions, the new Broadcasting Act leaves much to be desired for the political independence and autonomy of KBS as before. The Commission has the authority to appoint the executive auditor of KBS. The President appoints 11 members of the Board of Governors of KBS on the recommendations of the Commission.<sup>242</sup> The president of KBS is appointed by the President upon the nomination by the Board of Governors. The Commission, consequently, can exert influence on the appointment of the KBS president. Under these circumstances, the KBS president is expected to intervene by censoring broadcast contents which might offend the government of the day, and has faithfully met those expectations.

The Commission takes charge of all broadcasters, whether it be public or commercial. The new Broadcasting Act stipulates KBS as the nation's key broadcaster, as different from

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<sup>242</sup> The Board of Governors of KBS is the same in name as that of BBC but different in role and authority. The latter as 'trustees of the public interest' has extensive power to regulate the BBC. The current Royal Charter states that governors must 'determine the strategy of the corporation in the manner they consider best calculated to ensure that the corporation's services, programmes and other activities reflect the need and interests of the people'. BBC governors also take charge of the annual approval of a statement of promises and the monitoring of performance. Compared to this, the former does limited roles such as proposing president and audit and approving the vice president.

other broadcasters. But with regards to regulation, it applies the same standard irrespective of the characteristics of broadcasters. Consequently, there is no distinction between KBS, which serves or should serve public interest, and commercial broadcasters which seek profit maximising.

Compared with this, most public service broadcasters of the West European countries maintain dual regulating systems. In the case of Britain, the BBC is established under the Royal Charter and is regulated by the BBC Board of Governors while commercial broadcasters are under the Broadcasting Act and regulated by the ITC. In the case of Germany, the regulating system is also dual: the 'Broadcasting Council' regulates the ARD and the ZDF, and the 'Land Media Authorities' regulate the commercial broadcasters.<sup>243</sup>

It may look effective and coherent that one regulating body takes charge of all the broadcasters. But it fails to notice that public and commercial broadcasters are different in the purposes for which they were established and their aims and principles of operation. Barnett rejects the idea of one regulating body controlling public and commercial broadcasters together as it simply would not work to have a public body and its commercial rivals accountable to the same people.<sup>244</sup> The KBC's missions 'to promote public interest' and 'to ensure fair competition' are good and desirable in theory but often proved incompatible in practice when public and commercial broadcasters compete for the same broadcast items. During the 2002 World Cup, the KBC did not have any power to prevent the duplication of that broadcast from KBS and commercial broadcasters. KBS justified its coverage on the grounds that it was vital to meet licence payers' expectation of the

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It is the KBC that has the substantial authority to regulate KBS.

<sup>243</sup> John Sanford, 'Television in Germany', James Coleman and Brigitte Rollet (eds) *Television in Europe*, (Exeter: Intellect, 1997) p.52.

<sup>244</sup> Barnett insists on the maintenance of the Board of Governors as the BBC's regulator. He stresses that the issue is not about its continuation but about a 'high-calibre governing board with sufficient awareness of the traditions and purpose of the BBC'. For this, he proposes a rigorous and transparent process in the appointment of governors such as the introduction of parliamentary questioning procedure of aspirants. Steven Barnett, 'The Public's Trustees on Trial', *The Guardian*, 13 February 2000.

corporation. Commercial broadcasters could not lose a golden opportunity to make money. The KBC does not control KBS when it introduces more popular entertainment programmes. Therefore, it is necessary to set up a separate body to regulate KBS.

Another requirement is to arrange an institutional device to examine more objectively the transparency of account and management of KBS. KBS forms its own management evaluation group every year to assess the entire management performance, but this is just a self-evaluation. It needs to increase the transparency of accounting and management by receiving audit inspections from objective, external accounting institutions. The Board of Audit and Inspection, a government agency established under the President of the Republic, conducts audits of KBS expenditure and inspection of KBS operation by the BAI Law. The law states that the institutions whose capitals are financed more than half by the government are the subjects of the BAI inspection. In the case of KBS, this would threaten its autonomy and political independence. This is also in conflict with the Constitution Article 21 that secures the freedom of the press. Broadcasting is accountable to the public or the public's representative body, rather than to the government of the day. Broadcasting and the government should be at arm's length. Therefore, it is reasonable that a separate and independent body should inspect the appropriateness and transparency of KBS management.

There is a need to readjust the character of KBS 2 channel. For a long time, KBS 2 has been criticised for its ratings-chasing programming. KBS justifies itself with the argument that the licence fee revenue alone cannot support all of its services, and that it is inevitable for KBS to resort to advertising and popular entertainment programmes. In addition, KBS explains that licence revenue is used for KBS 1 and advertising revenue is for KBS 2. But this explanation is given a cold reception. Those who criticise the programming of KBS 2 insist that KBS 2 should be privatised, as it has nothing to do with public service. It is true that in recent years KBS 2 has not provided the kinds of programmes which would not be supplied by commercial broadcasters. This argument of privatisation is different from the

hat of the Conservative government when it tried to privatise the BBC in the 1990s. The issue in the BBC case was the efficiency of public service broadcasting. In the case of KBS, the issue concerns the public service broadcasting not fulfilling its role in providing programmes that should be different from commercial broadcasters. With respect to the ratings-oriented programming of KBS 2, its privatisation cannot be the solution. Another commercial channel would aggravate the problems of Korean broadcasting. Decreasing the share of advertising revenue can be a realistic solution. However, to do so, it is necessary to raise the licence fee to a certain extent.

There has also been a question about the identity of Munwha Broadcasting Company (MBC). MBC insists that it is a public broadcaster and 'it has never wavered in its commitments and will continue to stand by its audience'.<sup>245</sup> But the history tells that it has been always about audience-maximising. The ambiguous status of MBC needs to be settled. MBC's ownership structure is that of a public broadcasting station, but it does not deliver public service broadcasting. MBC exists legally as a privately run company, but the controlling stockholder of MBC is the Foundation for Broadcast Culture, a public independent body which was established under the Foundation for Broadcast Culture Act. There is no provision concerning the character of MBC in the Act. MBC is classified as a public broadcaster on the grounds that its stockholder is a public body. However, its economic resources come exclusively from commercial funds, as it relies on revenues from advertisements and therefore its programme line-up is commercial in nature. MBC's net profit for the year 2000 alone was approximately 10 billion won and since its foundation MBC has consistently pursued profit maximised broadcasting. Although the transfer of stocks in 1980 labelled MBC as a public broadcasting station, in reality it operates as a commercial broadcasting company. Because of the duality of MBC's character, it is necessary at this point for MBC to clearly define its identity and mandate.

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<sup>245</sup> MBC Homepage ([www.mbc.co.kr](http://www.mbc.co.kr), accessed in April 2004).

## 6.2 Economic structure

When judged using the standards of public service broadcasting, KBS is inadequately classified. Fundamentally, KBS's economic resources are too commercial for it to be considered a public broadcasting station. Like MBC, it relies too heavily on advertising revenue. Despite its existence as a public service broadcasting station, KBS is very involved in aggressive competition for ratings with other stations and can at time be found at the centre of such rivalries. Such behaviour is attributable to the existing imbalance in its economic structure. The utilisation of its public funds has not been clearly defined and instead decisions are made individually, as required, without the benefit of any underlying philosophy of use. KBS's abnormal economic structure is another of Korean broadcasting's unfixable legacies.

In the case of KBS, the issue is not so much mixed funding as the excessive ratio of commercial revenue in the total revenue. Mixed funding, where a combination of public and commercial revenue is used to fund the public service activities, is the most predominant model for public service broadcasting in Europe. The predominance of mixed funding in Europe is explained by the following considerations: a single source of funding would not provide sufficient revenue to the broadcaster; reliance on one particular source of funding creates dependencies which run the risk of undermining the independence of the broadcaster; the combination of different sources of funding can encourage attentiveness to the various aspects of the public service remit; a mixed funding system may be considered more robust in a changing environment.<sup>246</sup> As described above, the excessive reliance on commercial revenue of KBS revenue undermines its independence and effective fulfilment of the public service remit.

Public funding, mainly licence fee revenue, accounts for more than half of the revenue of public service broadcasters in Western Europe. It is now the third major sources of revenue

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<sup>246</sup> EBU Legal Department, *op.cit.*, p.2.

for the television industry while advertising remains the main source of revenue. It accounts for around 13% of revenue for the OECD area as a whole.<sup>247</sup> In recent years public funding has experienced the slowest growth while subscription fees are the fastest growing. Table 6.1 shows the proportional rate of public funding in the OECD countries. Public funding is relatively more important in European countries than other regions. The share of public funding in total revenue is highest in Norway, Denmark and the Netherlands (more than 40%) and lowest in the United States (less than 1%). Korea belongs to the lowest countries along with Japan and Australia.

Table 6.1 Public funding in the television broadcasting market (in USD millions)<sup>248</sup>

	Total public funding			CAGR 1997 - 99	Share in total market revenue (%)		
	1997	1998	1999		1997	1998	1999
Norway	347.52	345.30	360.13	1.80	67.06	64.92	66.23
Denmark	409.19	422.49	424.94	1.91	46.61	45.03	46.57
Netherlands	415.87	423.10	467.34	6.01	44.16	41.71	44.66
Austria	364.14	390.04	436.32	1.79	39.46	39.99	36.95
Germany	3916.49	3917.73	3812.16	-1.34	36.11	35.11	33.62
France	2086.17	2133.89	2141.41	1.32	27.36	26.07	33.62
Sweden	435.50	403.91	411.06	-2.85	45.95	34.90	31.70
Britain	3388.75	3594.06	4236.40	11.81	31.83	29.92	26.36
Italy	1362.64	1296.82	1278.07	-3.15	26.60	24.44	25.09
Korea	443.81	309.73	375.45	-8.02	18.50	25.05	19.62
Japan	5071.91	4785.55	5600.00	5.08	18.49	18.89	18.60
Australia	480.96	407.61	436.32	-4.75	19.27	18.16	17.99
United States	260.00	250.00	250.00	-1.94	0.39	0.35	0.33
OECD	21051.36	20850.21	21832.91	1.84	14.17	13.59	13.24

<sup>247</sup> OECD, *Communications Outlook* (2001), p.135.

<sup>248</sup> In general, figures consist of licence fees paid by individuals and operating subsidies by public bodies. Estimates for Australia, Denmark, Italy, Japan, the Netherlands, and Norway include public funding for public service radio. In the case of US, level of appropriation received by the Corporation for Public Broadcasting. CAGR stands for compound annual growth rate. *Ibid.*, p.135.

The licence fee of KBS was referred to as a 'television subscription fee' for some time, but was eventually and appropriately renamed, for the fee was not based on the individual programmes that were requested, but rather represented a charge for the general services that the broadcasting station provided. Depending on who is defining the term licence fee, it can assume many characteristics. The various definitions of licence fees include a contract, a tax, permission to receive, and a public burden among others. The Korean court decided that the licence fee should be classified as a 'public burden fee' or 'special burden fee' due to its nature, which is that it is used for the common good or for a public service.<sup>249</sup> In addition, the current Broadcasting Act states that regardless of the programmes' watching, 'any persons possessing a device which receives television broadcasting' will be charged this licence fee.<sup>250</sup> This fee method reflects the practices of the BBC in the United Kingdom and provides the economic basis from which the ideology behind the pursuit of public good can be realised. On the other hand, the value of the advertisements in commercial broadcasting is determined by the number of people the ad is likely to reach. Therefore, an advertising station which hopes to earn profits cannot help but be ratings-oriented in order to increase the product value of each programme.

Because KBS has two different economic structures, programming differs greatly between the two channels and has thus been criticised by many. It can be argued that KBS has no other way to function. It produces programmes for public service through funds from licence fees on one channel, and at the same time broadcasts programmes that must appeal to viewers in order to sell advertising on the second channel. KBS's inclination to raise ratings is not a new phenomenon. Even in the 1980s, when KBS and MBC had relatively equal shares of the market as public broadcasting stations, KBS engaged in competition by scheduling similar programme genres against its competitor's line-ups. However, the rivalry was not as intense as during the 1990s and the practice was not questioned. KBS

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<sup>249</sup> The decision on May 27, 1999 by the Constitutional Court on an appeal case 'Whether the Article 35 of KBS Law Violates the Constitution or Not' (case number-hunba9870), *Judicial Report* 11-1, p.633.

<sup>250</sup> *Broadcasting Act of 2000*, Article 64.

enjoyed a 10-40% increase in revenues per year from advertisements during the 1980s. It actually had greater difficulties collecting licence fees because of news reports that displayed favouritism. Licence fee revenue, which had totalled 125.6 billion won in 1984, declined to 79 billion won in 1988 as the 'Refusal To Pay Licence Fees Movement' spread throughout the country.<sup>251</sup>

Table 6.2 A comparison of licence fee (unit: won)<sup>252</sup>

	Korea	Britain	Germany	France	Japan
Legal character	Special charge	Licence fee	Public facility usage fee	Tax	Special charge
Annual cost (1994/2001)	30,000 / 30,000	100,240/ 201,600 (colour) 67,500 (b& w)	60,240/ 155,952(TV) 39,600/ 47,808(Radio)	89,240 / 174,750	131,520 / 179,300  Satellite licence fee (separate)
Licence fee revenue	468.7 billion	4.14 trillion	-	2.43 trillion	6.41 trillion
Increase approval	National Assembly KBC(setting)	Parliament DCMS (setting)	Land Parliaments KEF (proposing)	Parliament	Diet Ministry of General Affairs (setting)
Collecting agency	KEPCO (1994- )	Envision (1998- )	GEZ	Bank, Post office	NHK
Evasion rate	4	7.9 (2001-2002)		16.7	3
Collecting commission (%)	11.3	3.75, £109.5 million (1997/98)	3.0	7.0	10.0

The licence fee charged by KBS was appropriate at 2,500 won per month in 1980 and has not been increased. It has lost its buoyancy for a long time. It is now just about 1/6 that of

<sup>251</sup> Haeshik Kim argues that the movement was not the only cause of licence revenue decline as a measure to exempt black and white television holders from licence fees was enacted in December 1984. Haeshik Kim, op. cit., p.215.

<sup>252</sup> Seungsoo Kim, *Finance Reformation of Public Service Broadcasting* (A paper presented in the

BBC or NHK even though BBC and NHK do not have advertising revenues. In 1999, Lee conducted a research to find a proper share and price of the licence fee on the basis of the theory of finance. He suggested that the share of licence fee, advertising and other revenue be 70, 25 and 5 respectively, which would suit the logic of Economic Darwinism.<sup>253</sup> He presented that in such a case 4,007 won per month would be reasonable from 1995 to 1998.

In 1994 KBS changed the collection method from using the straight licence fee collection to that of a levy along with the electricity fee. By virtue of this, the evasion rate decreased and the licence fee revenue increased remarkably. Though the rate decreased, the licence evasion still remains a significant problem for KBS as it has been for the BBC. The BBC has made good progress in reducing the evasion rate, from an estimated 12.6 per cent in 1990-91 to 7.9 percent in 2001-02.<sup>254</sup> Evaders are estimated at some 2 million and they cost the BBC over £200 million a year.

Table 6.3 The composition ratio of KBS revenues (%)<sup>255</sup>

Year	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	2000	2001
Licence fee	29.1	31.2	32.6	35.5	33.8	43.1	38.9	41.1	55.2	47.1	39.9	44.4
Advertising	70.9	68.8	67.4	64.5	66.2	56.9	61.1	58.9	44.8	52.9	60.1	56.6

Although there is a disparity between the revenues from licence fees and the greater revenues from advertising on a year to year basis, advertising revenues have held greater weight in proportion in all the years except 1998, when in the aftermath of the IMF crisis, the number of advertisements decreased. There are many debates as to whether the imbalance in economic structure and the advertising-dependent management obstructed

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Monthly Seminar of Korean Association of Broadcasting Studies, October 2002b) p.17.

<sup>253</sup> Economic Darwinism is an ism that survival of the fittest is the law of market-driven economy. Like flora and fauna, governments, businesses and brands must adapt to their environments or suffer the consequences. The refusal or inability to do so is certain extinction. Myunggon Lee, 'The Reasonable Level of Licence Fee', *Broadcasting Research*, Summer 1999, p.154.

<sup>254</sup> DCMS, *Collecting the Television Licence Fee: Treasury Minute on the First Report from the Committee of Public Accounts 2002-2003*, 6 March 2003.

public service.<sup>256</sup> There is little reason to expect change in KBS's programme line-up until this matter is completely resolved. It is not entirely impossible for a particular programme to be produced free and independent from the source of its production fee, but not all programmes can be produced in such a manner.

The imbalance in the economic resources of KBS and the public service crisis are two problems that are intimately connected to one another. All those concerned agree that these two issues are in fact interrelated. However, there is no consensus as to the process through which this imbalance should be remedied. KBS chooses to use the term 'realise' or 'normalise' instead of the term 'increase' when referring to licence fees. KBS argues that it needs to raise licence fees to generate funds that can then enhance the public-ness of programmes. But academics and citizen groups alike demand that KBS's attempts to increase the public-ness of programmes must be evident before fees increase. There are also differing opinions on a reasonable increase that KBS could charge, which will also vary according to how KBS wishes to operate in the future. KBS could continue to exist as a semi-public, semi-commercial station or choose to operate solely from licence fee funds. However, no party is willing to take the initiative and bring about this increase in the licence fee. Current broadcasting law dictates that any change in licence fees should be proposed by the KBS board of governors after which the Broadcasting Commission meets for approval by the National Assembly. But neither KBS, the Broadcasting Commission, nor the National Assembly is volunteering to resolve this issue. Although KBS bears responsibility for placing itself in a position where its identity as a public service broadcaster is at risk, it is questionable to demand public-ness from KBS when licence fees have been kept constant for the past 20 years. To resolve this impasse, a proposal has been made to establish an independent organisation such as a 'Broadcasting Finance Review

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<sup>255</sup> Seungsoo Kim (October 2002a), p.61.

<sup>256</sup> According to Kim, it is not reasonable to attribute the identity crisis of KBS to its dependency on advertising revenues as ITV and Channel 4, which are financed from advertising revenues, schedule many programmes in the public interest. He argues that KBS should make every effort to establish its identity as a public service broadcaster. *Ibid.*, pp.61-2.

Committee' which will make suggestions for approval by the National Assembly.<sup>257</sup> Whichever method is implemented, a thorough review of the licence fee policy is inevitable and without such amendments, demands for a better quality of public service broadcasting will not yield substantial results.

### **6.3 Programming**

It would not be reasonable to explain that the identity crisis of KBS results only from the funding distortion due to excessive dependency on commercial revenue. It is because KBS did not make sufficient efforts to establish its identity as a real public service broadcaster even when it did not need to compete for advertising revenue. In the early 1980s when KBS enjoyed 'cosy duopoly' with MBC, it did not show any distinctiveness in its programming. Rather, it led in the ratings war with non-discriminative programmes.

In the wake of the parliamentary passage of new broadcasting laws, Seoul Broadcasting Station (SBS), a commercial television network, was founded in 1990 and commenced television broadcasting the following year. The emergence of SBS put an end to an era in which MBC and KBS enjoyed a somewhat relaxed market structure where they clearly dominated, and a period of intense competition between the three broadcasters began. From then on, broadcasting was dictated by the amount of capital available rather than by political influences, and programming was dictated by viewer preferences rather than political inclinations. This was not the first time that the programme selection became problematic because of an over reliance on mass appeal. Prior to this, as television broadcasting grew into a full-scale business, KBS, MBC, and TBC had competed to secure viewers throughout the 1970s. In order to boost ratings, the three broadcasters promoted only entertainment-oriented programmes, emphasising the leisure function of television broadcasting while de-emphasising the societal role of broadcasting. Entertainment

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<sup>257</sup> Ibid., pp.67-8.

programmes encompassed more than half of the total airtime, and at one point near the end of 1972, TBC and MBC aired five soap operas each.<sup>258</sup> This excess provoked much criticism of the deterioration of broadcast quality and finally the Secretary of Culture and Information released a statement requiring broadcasters to reinstate the true function of broadcasting and revise their programme schedules. Inevitably, history repeats itself. Twenty years later, Korean broadcasting found itself in the same situation, where after the establishment of SBS, competition for ratings once again rapidly increased the proportion of drama series, earning Korea the title of the 'Drama Republic'. As television violence increased, the Broadcasting Commission was compelled to take disciplinary measures against the programme producers. The competitive climate also led to a 'Turn The Television Off' movement by viewers.

This phenomenon repeated itself in part because the role of broadcasting and the responsibilities of the media were not clearly defined. There was neither a thorough discussion nor a strict review of the management and operation of broadcasting. Korean broadcasting policy was merely a methodical, habitual process. A representative example is revealed in KBS's management of its economic resources. KBS had previously operated using licence fee revenues, but was able to sell advertisement airtime as a result of the rearrangement of broadcasting stations in 1980, when it absorbed a variety of small broadcasting companies. KBS was permitted to sell airtime for advertising because of the costs associated with repaying a debt of nearly 53 billion won from the acquisition of the privately owned broadcasting stations, the national networking of its second TV channel, the dissolution of areas with bad reception, and the modernisation of production equipment. Such costs were too much to appropriate from licence fees, which were directly borne by viewers themselves.<sup>259</sup> However, KBS continued to air advertisements even after the full repayment of its debts three years later.

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<sup>258</sup> Minnam Kim et al.(1993), p.184.

<sup>259</sup> Joonyung Park, *A Study on the Broadcasting Policy and Societal Development of Korea*,

Public broadcasting is expected to provide a comprehensive service of information, entertainment and education. The service is to be a balanced provision between informational, entertaining and educational programmes. The Broadcasting Act of 2000 stipulates that any terrestrial broadcaster engaged in general programming should schedule ‘programmes of news reports, culture and entertainment so as to allow them to be mutually in harmony’, and should schedule ‘cultural programmes more than 30/100 of the total broadcasting hours every month and entertainment broadcast programmes less than 50/100 of the total broadcasting hours every month’.<sup>260</sup> Korean terrestrial broadcasters including KBS keep the ratio required but leans too much on entertainment.

Table 6.4 Programming ratio of terrestrial channels (%)<sup>261</sup>

	News	Culture	Entertainment
KBS 1	28.9	53.2	17.9
KBS 2	13.3	37.8	48.9
MBC	23.4	33.7	42.9
SBS	13.5	44.3	41.7

KBS as a whole can be said to keep a balance between news, culture and entertainment programmes, but in the case of KBS 2 entertainment takes almost half of the total broadcast time. Out of 4 nation-wide channels, KBS 2 is the highest in entertainment programming. There are very few documentary, current-affairs or discussion programmes in the schedule of KBS 2. Instead, there are quizzes, game shows and celebrity talk shows. Its excessive proportion of entertainment relates to the reality that KBS 2 takes advertising. Advertising is closely connected with the ratings, and entertainment is considered as safer than any other genre for high ratings. Where the ratings come first, it is difficult for the programme makers to choose anything else other than entertainment. Entertainment itself is an

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(unpublished master degree dissertation: Joongang University, 1988), p.116.  
<sup>260</sup> *Enforcement Decree of Broadcasting Act 2000*, Article 50.  
<sup>261</sup> Korean Broadcasting Institute, *The Analysis of Programming of Terrestrial Broadcasters* (2003 Autumn).

indispensable and important genre for viewers. But there are also viewers who want to watch other kinds of programmes.

Another problem is that the entertainment programmes are almost similar irrespective of the channels. As far as entertainment programmes are concerned, one has difficulty knowing which broadcaster made it without identifying the channel in Korea. There is no difference in the characteristics of the entertainment programmes between KBS and the other broadcasters. Programmes similar in format and content prevail across the channels. This is because the programme makers depend on verified formats which have previously attracted people's attention and do not dare risk making new programmes that may be too challenging. The external effect, as Katz and Ordover say, takes place that 'each broadcaster may well consider his own (good) programme not commercially worthwhile unless other broadcasters are also transmitting good programmes that are gradually extending consumer's tastes'.<sup>262</sup>

In prime time, all the Korean terrestrial channels rely heavily on entertainment. As they are mainly motivated by the ratings, they pack the time with entertainment programming filled with multi-million pound commercials. Thus the audiences have a narrower range of choice. This demonstrates that the Peacock Committee's warning that 'competition for advertising on any scale would be quite destructive of programme range and a threat to many facets of programme quality' is reasonable.<sup>263</sup>

One way of realising public interest is to extend choices for the individuals and communities of a nation. In this sense, the diversity of programming is an index to measure how faithfully broadcasting serves the public. As for this diversity of programming, KBS is not a good example. The analysis using the index of relative entropy reveals that SBS is the most diverse among the four channels all the week on the basis of total broadcasting time.

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<sup>262</sup> Katz, M. and Ordover, J. *R & D Cooperation and Competition* (Brookings Papers: Microeconomics, 1990).

KBS-1 is the highest but KBS-2 is the lowest in the weekend.

Table 6.5 The diversity of programmes<sup>264</sup>

	Total broadcasting time			Prime-time		
	Week	Weekday	Weekend	Week	Weekday	Weekend
KBS-1	.78	.68	.83	.58	.52	.57
KBS-2	.83	.75	.74	.67	.71	.34
MBC	.83	.77	.78	.45	.52	.51
SBS	.85	.77	.80	.55	.54	.46

The low proportion of documentaries in Korean broadcasting during the prime time shows how indifferent Korean broadcasting is to its duty of giving its viewers more choices. Research carried out to find the different scheduling patterns of television documentaries in Britain and Korea reveals Korean documentaries are fewer in quantity and less diverse in content than British documentaries.<sup>265</sup> It shows that the largest number of documentaries was broadcast during the prime time in Britain, while only a fifth of documentaries was broadcast during the same time in Korea.<sup>266</sup>

Documentaries are relegated to the outer ring of scheduling in Korea on the grounds that they usually get relatively lower audience than drama and entertainment programmes. Programmes of educational nature like science and environment programmes are scheduled in the early morning or late night. Challenging programmes are also marginalised in pursuit

<sup>263</sup> Peacock, op. cit., p.199.

<sup>264</sup> KBC, *The Analysis of Programming Diversity* (23 December 2003)

<sup>265</sup> By employing content analysis, documentaries broadcast by the terrestrial channels of the two countries in 1994 were analysed under the categories of total transmission, time-slot, subject and form. See Inkyu Park, *The Scheduling and Characteristics of TV documentary programmes: A Comparative Study between Korea and the United Kingdom* (unpublished M. Phil. degree dissertation: University of Glasgow, 1995). Though the research was conducted in 1995, its implication is still valid as the scheduling patterns of Korean broadcasters have not been changed at all.

<sup>266</sup> In the research, broadcast times were divided into 4 groups: Night (11 p.m.-4 a.m), Morning (4

of audience share. Whether a programme is accessible by viewers is as important as whether a certain kind of programme is scheduled. The best time for viewing a programme depends on its kind and type. Entertainment shows may be most suitable for early evening. Putting on children's programmes at a late hour would not be sensible. With respect to its nature, a documentary needs a certain amount of concentration because it usually unfolds logically. In this sense, Korean broadcasting seems only to do the legal minimum required.

In 1991, the Korean Broadcasting Commission raised the need for examining broadcast programme quality with an objective measurement along with the need for preventing over-competition, which could damage the quality of programmes. Then KBC decided to conduct an audience response survey such as the Appreciation Index (AI) of BBC and ITV in Britain. By adopting the British method, the Korean AI interviews audiences and asks them to give the reason for watching specific programmes, point out the problems of a programme, and add comments for development.<sup>267</sup> The AI is indicated in a six-point scale with the yardstick of 'interesting' and 'useful'. While the British AI uses 'interesting' and 'enjoyable' for evaluation standards, the Korean AI employs 'interesting' and 'useful' since Korean broadcasting tends to emphasise social roles. Respondents give five or six points if they evaluate a programme as 'very useful', 'very interesting', or 'very useful and interesting'. For a short while, the AI score was used as an index along with audience share for overall programme evaluations. However, it did not take long to lose its significance in Korean broadcasting where the audience share is prior to all others.

Audience share also exerts its power in news programming. Since its launch in 1956, TV news has increased its influence on Korean society. As noted before, TV news like other programme genres has long been under political pressures. With the democratisation of Korean society at large in the 1990s, political influence decreased but instead commercial standards, mainly the ratings, emerged as a crucial factor. Soft items to attract the

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a.m.-12 p.m.), Afternoon (12-7 p.m.) and Prime-time (7-11 p.m.).

<sup>267</sup> Ibid., p.15.

audience's attention often pushed out hard news. Much time was devoted to the superficial description of simple accidents and disasters rather than in-depth reports which would increase the audience's understanding of the real problems in society. This was partly because Korean TV news was composed of too many items. Korean TV news broadcasts more number of items of a relatively short time compared to the British TV news.<sup>268</sup>

For the sake of audience share, Korean broadcasters do not hesitate to run the risk of making a false report. Korean broadcasters still seem to prefer promptness to accuracy though they have been often subjected to disgrace for making false reports. The three television networks, which erred in forecasting the results of the legislative elections in April 2004, aired apologies. Four years before, they apologised for the same inaccurate forecasting. A commission set up by the government to review radio and television coverage of the National Assembly elections issued a warning to SBS and gave orders to KBS and MBC to apologise to viewers for inaccurate exit polling results broadcast on election-day evening.<sup>269</sup> The three broadcasters began airing exit poll results just after the polls closed. KBS, for example, projected 172 seats for the government party, 20 more than they won. As the commission said, the broadcasters had violated a rule of objectivity and accuracy. In pursuit of viewership, a very basic principle is overlooked in Korean broadcasting, which is that broadcasting should make every effort not to mislead viewers with predictive reporting.

The overlapping of programming is very common in Korean broadcasting. When a national or international event takes place, three terrestrial broadcasters transmit it competitively. This phenomenon was at its height during the 2002 World Cup. The opening and final

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<sup>268</sup> In the case of nightly nation-wide news, Korean TV news lasts longer than 40 minutes while BBC news lasts 30 minutes. In 1990, KBS and MBC broadcast 27 and 31 news items per day respectively while the BBC delivered 12.71 items. The average broadcasting time per news item of Korean broadcasters was 81.42 seconds, while that of the BBC was 114.3 seconds. Sohn Seung Hye, 'South Korean TV news: The Reality and the Future', *Korean Journal of Journalism & Communication Studies*, December 2001, pp.297-311.

<sup>269</sup> 'Panel orders apology for bad exit polling', *Joongang Daily News*, 27 April 2004.

games, and the Korean team's matches were broadcast simultaneously by the four channels. There were many cases where KBS-1 and KBS-2 broadcast the same game at the same time. Also, most of the broadcasting time was filled with programmes relating to soccer during the World Cup season. Competition for soccer broadcasting not only limited the choices of viewers but also raised the rights. KBS, MBC and SBS paid much more attention to FIFA than expected.<sup>270</sup> For some time after the World Cup, the three broadcasters were still faced with the criticism of overlapping soccer programming and wasting television waves. But this problem still repeats itself.

Along with the overlapping of programming, programme imitation frequently becomes a subject of criticism in Korean broadcasting. As broadcasters pay their attention towards presenting the largest possible audiences, they tend to depend on the formats established and tested in other countries' broadcasting rather than develop new formats for themselves. Producers dispatched to other countries usually record the new programmes and send them to the main office. The types of imitation are diverse, from borrowing some ideas to copying the format, content, props and mise en scène. The main sources of emulation are Japanese programmes. Hit programmes in Japan do not take long to be on the Korean television. For example, several Korean broadcasters may imitate one Japanese programme or several Japanese programmes may be incorporated into one Korean programme. The genres of emulated programmes are wide, from entertainment to documentary and news show. According to a survey conducted in 1997, 63 percent of KBS, MBC and SBS television producers are tempted to emulate Japanese programmes.<sup>271</sup> They ascribe the causes of imitation to competition for audience share, low production cost, short production time and directive of the management. Some managing staff encourages them to imitate foreign successful formats, saying that 'Imitation is easier and safer than creation'. Under these circumstances, creative and innovative programmes are hard to find. Korean

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<sup>270</sup> Korean broadcasters paid 45.6 billion won to FIFA while Japanese broadcasters paid 66.1 billion won. Comparing the economic scale of the two countries, Korean broadcasters were thought to pay excessive amounts. Kiwon Kim, 'Problems emerged during the World Cup rights negotiation process', *The Journal of Korean Advertisers Association* (July/August 2002) pp.10-12.

broadcasters need to appreciate the words that 'Creativity requires introspection, self-examination, and a willingness to take risks'.<sup>272</sup> But Korean broadcasters in general strive hard for short-term results.

The inclination of Korean broadcasters to cling to short-term results is confirmed in their small investment in children's television and documentary programmes. All the terrestrial children's programmes but one, *TV Kindergarten* (KBS), are made by independent producers or imported from foreign broadcasters. The *TV Kindergarten* production team is under the entertainment department. Only three producers make daily 20-minute programmes. It is difficult to expect quality programmes. The production cost is also low. In case of documentary production, the average cost is less than one tenth of British documentary productions.<sup>273</sup> The average output (broadcast time) of Korean documentary producer is over three times that of a British documentary producer. The quality of Korean programmes has been sacrificed for quantity. Phil Agland, the producer of *Beyond the Clouds*, spent five years on the project, having been granted unprecedented access to the ancient city of Lijian in China. *The Private Life of Plants*, broadcast between January and March 1995, cost four million pounds, equivalent to the whole year budget of KBS' cultural programme department. The success of these programmes is due to the understanding and investment of the broadcasters.

The cultivation of expert personnel is also important in order for the Korean broadcasters to enhance the quality of programmes. The reputation of British programmes is based on competent producers, but it cost a lot and takes a long time for a producer to be well acquainted with production. This cannot be accomplished without consistent investment. In Britain, there is many a documentary producer who has been working more than twenty years in one field. Their expertise is the background to the eminence of British

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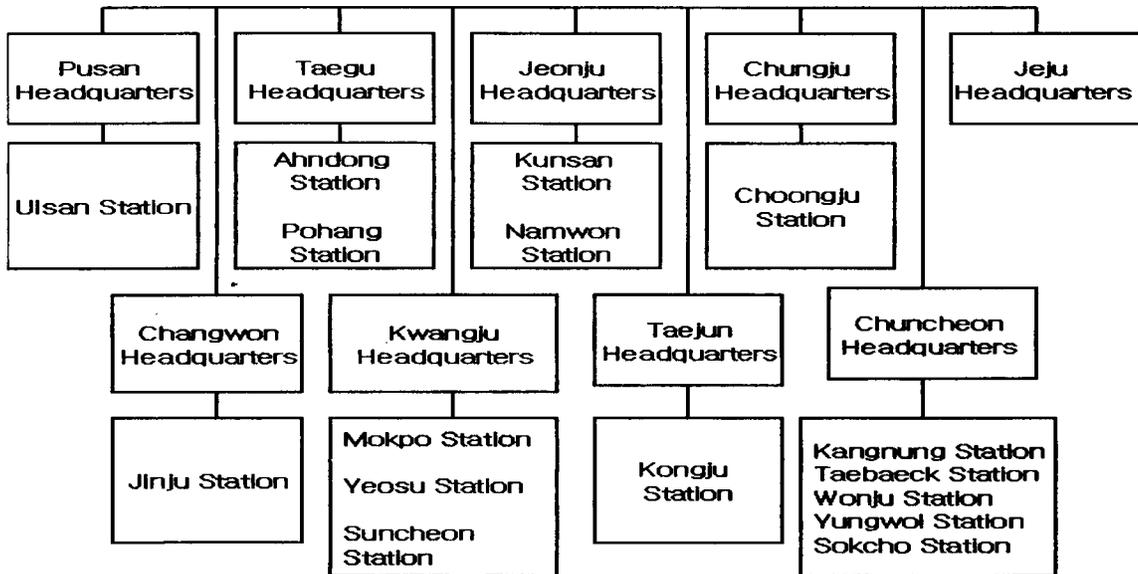
<sup>271</sup> Eulyung Kang, 'Tempted To Imitate Japanese Programmes', *The Media Today*, 8 October 1997.

<sup>272</sup> Eric Maisel, *Affirmations for Artists* (New York: Tarcher, 1996)

<sup>273</sup> The average cost of BBC documentaries per hour is 94,000 pounds in 1992. BBC, *BBC Report and Accounts 1992/93*.

documentary. For example, the idea of the production of *A Bird in the Nest*, which revealed every movement of birds by using hidden cameras for the first time, was born several years before with a programme called *Wild Britain*. In this continuous tradition, such conspicuous documentaries as *The Life of the Earth* and *The Private Life of Plants* came into being. In contrast, the shortage of competent documentary producers in Korea is due to frequent personnel changes, the Korean producers' preference for management rather than production, and other cultural difficulties. For instance, during every programme revision season, experienced producers who have the potential to be good documentary producers, are usually posted out to direct other programmes which can be made quickly on a small budget. In Korean broadcasting, once a producer becomes an assistant director of a department, he seldom produces a programme. Therefore, the accumulated experience is apt to be lost and wasted.

Figure 6.1 KBS local stations (1998)



The activation of regional broadcasting and the readjustment of local stations are also problems to be solved. In terms of regional production, Korean broadcasting is highly centralised. Regional production consists of network programmes made outside Seoul.

Though KBS and MBC are nation-wide networks, the rate of regional production is under 10 percent in most areas. In 1992/93 the rate for KBS 1 was 0.8-8.9%, KBS 2 was 0% and MBC was 4.5-12.4%. The associate channel of local terrestrial broadcasters also depends too much on SBS, the Seoul area licensee. Under these circumstances, regional issues and cultures are not represented sufficiently on broadcasting. Korean broadcasting needs to support a significant level of production outside Seoul and to reflect the widest possible interests of audiences.

In the case of KBS, local stations are encouraged to participate in nation-wide programmes initiated by the Seoul station rather than to create their own programmes. Most local stations make only one or two 60-minute programmes per week. The problem is that there are so many local stations scattered everywhere. KBS has 25 local stations: 9 headquarters that have television facilities and 16 stations that broadcast only radio programmes. Considering that the area of Korea is about half that of Britain, the number of local stations is too many. Some stations are very close to each other: It takes only half an hour by car from Yeosu station to Suncheon station, and from Daejun to Kongju. Those local stations were founded in the 1980s because of political consideration rather than to represent local interests and cultures. In the course of discussions on the restructuring of broadcasting in 1980, the government accepted the requests of government party politicians not to abolish merged regional broadcasters but to change them into KBS local stations. The politicians were afraid that the abolition of the broadcast stations would result in the weakening of their political influence. Some local stations were set up by the requests of other politicians who claimed that a local station in their area would signify a fair and equal opportunity for the development of that region. Consequently, KBS has too many local stations for it to support. Also, many areas are serviced by two KBS stations. As a matter of course, the resources are spent inefficiently. In case of Yeosu KBS, among the sixty staff members only twenty-five people are concerned with programme making. The other thirty-five people are concerned with human resources, property management, public relations, and so on. The problem of area duplication and scattered competence can be settled by decreasing the

number of stations and merging some stations.

Independent production is also needed to reduce Seoul-centredness. More than 90 percent of independent productions are in Seoul. The quota of independent production has increased sharply since it was first introduced in 1990. The share of independent production was 3% in 1991, 5% in 1992 and 27% in 2000. The Korean Broadcasting Commission has announced that it will increase the quota to 40% by 2005. This rate is too sharp and does not consider the circumstances of independent production companies. Among the 350 independent productions, 171 productions (49%) have fewer than 10 staff members and 173 productions (49%) do not have complete shooting and editing facilities. Under these circumstances, the quality of programmes is questionable. To meet the quota, broadcasters adopt expedient means such as commissioning non-peak time programmes. Independent productions complain that broadcasters restrict their access and use their dominant position to dictate the terms of trade that maintain the sector marginal. KBC needs to focus more on constructing the sound infrastructure of independent production than increasing the quota. The current quota which concerns broadcast time should be a quota of production cost if the objective of the quota is to diversify the sources of programmes and to break the dominance of a few broadcasters. It also needs to implement a code of ethics ensuring fair commissioning practices and terms of trade.

Though the narrow range of programmes and the ratings-driven programming have been pointed out as chronic problems of Korean broadcasting, the effort to solve these problems has not been adequate and consistent. The government has taken a superficial view of the matter and resorted to a temporary expedient. Broadcasters have just managed to tide over criticism. KBS, in particular, has ascribed this problem to its funding structure. It has claimed that the situation cannot be improved without changing its economic structure. Certainly KBS is on the horns of dilemma by its dual incomes, licence fee and advertising revenue. But there is some doubt whether KBS is entitled to lay the blame only to its funding structure.

Table 6.6 The share of independent production in total broadcast time (%)

	2001 Spring	2001 Autumn	Prime-time
KBS 1	17.6	17.9	17.7
KBS 2	34.7	40.7	25.3
MBC	29.1	31.2	8.2
SBS	36.0	37.0	46.3

KBS participated in the ratings war in the 1960s when it was a state-run broadcasting station. At that time KBS was dependent on the government's general account, as it was unable to establish a self-supporting accounting system. To secure audience share, KBS devoted more than half of its total airtime to entertainment programmes, such as *Friday Stage* and *Serial Historical Drama*.<sup>274</sup> Even after the compulsory reception fee was introduced in 1967, KBS did not make any effort to enhance the quality of programmes or to establish the balance between education, information and entertainment. Thus it is not sufficient to attribute KBS's excessive reliance on entertainment only to its economic structure. If the people working in public service broadcasting do not have the attitude to fulfil the value of public service, it will be public service broadcasting merely on the outside, not inside. A different approach is needed for Korean broadcasting and KBS to begin to serve the public's interest.

#### 6.4 Necessity of a different approach

A requirement essential to the recovery of public service broadcasting is a change in the mentality of those in the broadcasting business. The nature of current Korean broadcasting, emphasising ratings rather than viewers, exists because of the prevailing attitude in the industry that public-ness is not an important factor in programming. Public-ness in

broadcasting is an established aspect of programme development in the United Kingdom, where the broadcasting operations, regulation, and management systems do not differ much from our own, because public service is a deep rooted value in the consciousness of broadcasters. When television broadcasting was first launched in the UK, it was neither for commercial gain nor for pure entertainment, but was established with the objective of providing information for its people and as a forum for discussions based on public opinion. This ideology was firmly established and was the mandate from which the BBC operated. Many who had previously worked for the BBC went on to launch commercial broadcasting stations, and the ideology embodied by the BBC was consequently absorbed by and is now reflected in all British television.<sup>275</sup> This can be contrasted to the experience of those Koreans who had initially worked in colonised broadcasting at Kyung-sung Broadcasting Station and who worked for broadcasting at the Bureau of Public Information and then as government employees at a state-run broadcasting station, but who eventually ended up as public service broadcasters, becoming the main constituents of commercial broadcasting. In Korea, there was no opportunity for broadcasters to recognise and appreciate the publicness of broadcasting and thus they were not able to internalise the concept of public service broadcasting. With the movement to democratise broadcasting in 1987, broadcasters had a chance to reflect upon the authoritativeness of broadcasting to date. However, the competition that grew with the establishment of SBS gave ratings the greatest priority and the brief effort to increase the public merit of broadcasting soon lost its power. Above all else, whether in the content value of the programme, the completion of the programme, or what message the programme delivered, how many viewers the programme was able to attract became by far the most important factor in broadcasting.

A broadcast programme is closely aligned with the mindset of its producer, just as an employee of a broadcasting station cannot easily escape the underlying philosophy of the company in which he or she is employed. It is unrealistic to expect a voluntary change from

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<sup>274</sup> Kyu Kim et al., *op. cit.*, p.56.

<sup>275</sup> Küng-Shankleman, *op.cit.*, pp.72-3.

a broadcasting station. Therefore the need exists to prepare criteria for broadcasting quality and stricter guidelines for public broadcasting in the current state where public and commercial broadcasting are virtually indistinguishable. At the same time, those working in broadcasting, especially in public service broadcasting, need clear mandates so that they can understand and fulfil their roles as public broadcasters.

## Chapter VII. KBS in the 1990s: Changes and limitations

With the advent of the 1990s, Korean broadcasting once again transformed into a mixed system, comprising both private and public broadcasters. The new broadcasting act paved the way for the establishment of a second commercial television network. As Seoul Broadcasting System (SBS) began transmissions, the shares of KBS and MBC, which had dominated Korea's television industry from 1980 to 1990, started to fall, initiating excessive competition among existing broadcasters. Once again, Korean broadcasting entered this new era before it could internalise the spirit of public service. The role of public service broadcasting to serve the public interest was marginalised and set aside as a secondary value, even at KBS.

The emergence of SBS broke the duopoly of KBS and MBC, and brought many changes to programming practices. To secure audiences, SBS focused on popular entertainment and sports programmes. It invested a huge sum of money on drama and sports. For example, *Sandglass*, a twenty four-part serial drama, cost one hundred and fifty thousand pounds per episode. SBS scheduled *Sandglass* four nights a week from Monday to Thursday, attaining the remarkable audience share of sixty percent. As this unprecedented programming strategy proved successful, other terrestrial channels scheduled more drama and entertainment programmes competitively. KBS followed in this fashion rather than working out a distinctive programming strategy of its own.

Competition did not come from SBS alone. According to the government's television development plan, cable television services started in Korea during the earlier half of 1995. With this, Korean broadcasting entered the multi-channel times. Though the subscription rate for cable services had been low for years, competition to secure sports rights and key talents became far keener than before. Accordingly, the price of both accessing talents and acquiring sports rights soared sharply.

With the emergence of the WTO (World Trade Organisation), Korea was forced to open the broadcasting market. For the first time, Korean broadcasting was exposed to fierce competition inside and outside. In addition, the IMF crisis in December 1997 was a painful blow to Korean broadcasting since it has not experienced a major recession since the 1970s.<sup>276</sup> There had not been a major corporate shake up during the time of continued expansion. Massive layoffs in the private sector began in early 1998. People demanded that the public sector bear the economic suffering to the same extent. The competitiveness and efficiency of the public sector became the subject of conversation. The question of the existence of public service broadcasting was also frequently raised.

Confronted with the changes in the broadcasting environment and the IMF crisis, KBS had no alternative but to change. It reorganised itself several times and introduced some reformatory measures to enhance the efficiency and transparency of its management. But it was not clear about what it should offer its audiences nor was it clear about the public purpose underlying its work.

This chapter explores the process of change at KBS from the late 1990s to the early 2000s and its implications using participant observation and in-depth interviewing of involved informants. It also identifies KBS's organisational culture and the value-orientation among its members. Another empirical research was conducted in the KBS to examine the problem of securing public-ness from the perspective of the mindset of those engaged in broadcasting and also the corporate culture of broadcasting. On the basis of research findings, this chapter discusses the conditions that must be met in order for KBS to become a true public service broadcaster.

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<sup>276</sup> According to Lee, major causes for the IMF crisis are as follows: over-capacity led over-borrowing; currency crisis in other Asian countries led outflow from Korea; wages are no longer lower than in most Western countries; the inability of the Korean government to respond early to potential crisis made the crisis worse; corrupt government-conglomerate strategic alliance contributed to the crisis; asset-based business rather than profit-based business characterises the Korean way of running a company. Kewn Lee, *Financial Crisis in Korea and IMF: Analysis and Perspectives* (The Merrill Lynch Centre for the Study of International Financial Services and

## 7.1 New Demands in the Changing Environment of KBS

The fluctuating Korean economy between the '60s and '90s saw a changing KBS environment and brought new demands upon it. However, like most public service broadcasters in the world, KBS was also exposed to fierce competition and had to go through financial difficulties in the 1990s. Until the 1980s the main impediment was government pressure for KBS to function as a public service broadcaster. However, in the new decade financial problems became the more important issue while political pressure dropped with the democratisation of Korean society as a whole.

### 7.1.1 Expansion in KBS

Korea's economy had made rapid progress within a short period of time. Its average annual rate of economic growth was 9.7% between 1962 and 1979 and 9.3% during the 1980s. This economic growth was maintained until the mid 1990s. The Korean media industry also grew with the economic growth of Korea. KBS was representative of this rapid growth.

KBS's income had been increased by the augmentation of TV licences and TV advertising. The proportion of the economy's resources devoted to advertising increased during Korea's rapid economic growth. Television advertising, in particular, grew at a fast rate until the mid 1990s. Television advertising as a proportion of GDP at factor cost increased from 0.4 per cent in 1970 to 1.11 per cent in 1996.

Table 7.1 The number of television sets registered in Korea<sup>277</sup>

Year	1956	1961	1973	1980	1991
TV sets	3,000	20,000	1,282,122	6,227,584	10,936,797

Markets, 27 February 1998).

<sup>277</sup> Korea Television Yearbook 1991.

The licence revenue of KBS grew with the spread of TV sets. No more than 20,000 homes had TV sets in 1961 when KBS started its television service. TV sets registered reached over one million in 1973 and ten million in 1990. During the 1990s, the number of new TV licences had ceased to grow at a rapid pace, as most Korea homes had TVs. By the early 1990s KBS could no longer look to an increase in licence income generated by the increase of TV sets. To break the bottleneck in the licence income, KBS changed its way of collecting licence fee from using collectors to levying licence fee with the help of the Korean Electric Power Corporation. This contributed to a decrease in the evasion rate and a marked increase in the licence revenue. Thanks to this, the proportion of licence revenue in total income increased from 29 per cent in 1990 to 43 percent in 1995. It reached a peak of 55 per cent in 1998 in response to the recession in the advertising market. As the Korean economy came to a deadlock in the late 1990s, KBS was put in a very difficult situation economically.

### **7.1.2 Demand for change**

As a result of '1980 Press Merging and Abolition Move', KBS became the biggest in scale among the domestic press and electronic media circles. Since then it ran two nationwide terrestrial television channels and six radio channels. It started to increase the staff in large from the mid 1980s when the impact of merging abated. For three years from 1985 to 1987, in particular, KBS recruited almost 1,000 new entrants by reason of broadcasting the 1988 Seoul Olympic Games. In the early 1990s its staff number reached over six thousand. This is one and a half times as many as the staff number in the early 1980s when KBS already became large by far after merging with other broadcasters.

Table 7.2 The staff number of KBS<sup>278</sup>

Year	Staff number
1984	4,176
1992	6,165

Those who entered KBS from the mid 1980s were different in many aspects from those who were there before. The former took and passed a public entrance examination while the latter entered KBS on the recommendation of the chancellor of each university. The government offered such a carrot means to universities so that it could dissuade students from demonstrating against it. Not surprisingly, the former challenged the existing system and authoritative management of KBS while the latter was on the defensive.

By the late 1990s this new generation gained ground. Organising a trade union in 1988, they demonstrated against the political appointment of the KBS president, Suh Ki-won, in April 1990. Suh Ki-won was the president of Seoul Daily and former spokesman of the Blue House (the official residence of the Korean President). Hundreds of KBS staff participated in the demonstration against the appointment and 171 employees were arrested on 12 April. To demonstrate against the repressive methods of the government, KBS Union members staged a broadcast strike which included a refusal to fulfil programme production.<sup>279</sup> The strike was the first collective complaint about the political intervention of the government using KBS insiders. It brought up the major issue of biased news coverage in favour of the ruling party candidates in the general election. The strike lasted almost a month but did not bring about the withdrawal of the appointment.

The 1990 strike was a turning point in the history of KBS. During the month long strike, rank-and-file producers and reporters discussed how KBS could detach itself from vested interests and the government. They debated seriously on the ways to recover the trust of the

<sup>278</sup> *KBS Yearbook 1984* and *KBS Yearbook 1992*

<sup>279</sup> Young-han Kim, 'Public Broadcasting and Political Constrains: A Case Study of KBS', *IFJ*

people. In the course of the discussion they shared a set of common values and felt a common sense of solidarity. It was a precious experience for KBS members to think together about public service broadcasting and its programming value. The programming value of KBS had been determined by the dialectic collusion between state broadcasting and commercial broadcasting. In other words, KBS had scheduled programmes either for the publicity and justification of government or the maximisation of audience size rather than in the public interest. The strike made KBS members reflect on their past practice and rethink their public service ethos. It was the first time that the staff members raised a question against the unfair and impartial programming and scheduling of the top management. Such a strike had been unthinkable in the hierarchy of KBS before.

If the term authoritarianism is used to describe an organisation which enforces strong and sometimes oppressive measures against its members, the term was appropriate to describe KBS. Until the late 1980s Korea had been under authoritarian military governments. The management of KBS was composed of government officials when it was a government-run station and even after it was changed into a public corporation. KBS had been an authoritarian organisation operated by commands and directions rather than discussion. The 1990 strike called this ancient regime of KBS into question. It was a good moment for KBS members to rethink its public purposes but it was too short a time to internalise the true value of public service broadcasting.

### **7.1.3 Limited funding and fierce competition**

The maintenance of their existing influence was a more important matter for KBS than its *raison d'être*. As competition for the broadcast advertising market became fierce with the emergence of SBS, a new commercial broadcaster, KBS evaded answering difficult questions such as, why it should exist and how it should differentiate itself from

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*Conference*, December 2003.

commercial broadcasting. Instead of fulfilling its commitment to public service, KBS chose to increase audience share, which was closely connected to advertising revenue. Under these circumstances, the argument for programming material worthy of public service broadcasting was on the wane. There was no real difference in the labour and management of KBS during this fierce competition and economic difficulty.

Substantial investments from new broadcasters like SBS and new funding sources pushed up the price of sports rights and top talent. Because of high-priced rights, KBS often could not screen popular sports events. Though the revenues of KBS had been increased, it was not enough to compete with commercial broadcasters. For the first time, KBS was unable to transmit the main domestic soccer competition. This problem was similar to the one that happened in the BBC in the late 1980s.

#### **7.1.4 Independent production quota**

In the 1990s KBS should reduce a certain amount of in-house production. In 1990 the government announced that it would apply an independent production quota, a certain amount of television programmes to be made by independent producers, to every terrestrial broadcaster in the next year and increase it year by year.

The ministry of culture and tourism implemented the quota for the purpose of promoting the development of broadcast and audio-visual industry. It raised the quota sharply from 3 per cent in 1991, to 10 per cent in 1993, and to 20 per cent in 1997.<sup>280</sup> This resulted only in the reduction of production cost but did not lead to the reduction of staff at KBS. There was no one dismissed at KBS under the influence of quota implementation. This presents a

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<sup>280</sup> The independent quota for Korea has been increased while that for Britain is fixed at 25 per cent. In the 2000s the ministry of culture and tourism raised the quota. It set a different quota for each channel, and started from the 2000 autumn season. In that season, the quota was 22 per cent for KBS and 27 per cent each for MBC and SBS. In 2004, the quota was increased to 24 per cent for

striking contrast to the BBC where a drastic cut in the staff had to occur to be cost-effective. Consequently, KBS was criticised for being an antediluvian organisation. The issue of low productivity in KBS had to be addressed as soon as possible.

Table 7.3 Weekly broadcast time per producer (unit: minutes)<sup>281</sup>

	KBS	MBC	SBS
TV	34.1 (11,675/342)	34.5 (5,530/160)	40.9 (6,470/158)
Radio	347 (57,295/165)	420 (20,160/48)	504 (20,160/40)

### 7.1.5 Out-of-date network system

KBS kept another factor of inefficiency. It was the network system. The KBS network was composed of KBS Seoul and twenty-five local stations. These twenty-five local stations were not set up for the representation of regional issues and interests. They were too many for the size of Korea. By the early 1990s, three or four stations were technically enough to cover the whole area of Korea.

The current network of KBS was not arranged under a systematic plan. Many local stations were established in the radio era. Some stations were set up for the publicity of government policy when KBS was a government department and others were for reasons other than broadcasting. Namwon KBS was set up in 1951 for the placation of partisans in Jiri Mountain., Seohae Broadcasting was changed into Kunsan KBS as a result of the Broadcasting Merging and Abolition Move of 1980. Taebaek KBS was set up to appease the demands of a large-scale strike in the mining area. Kongju KBS was founded by the

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KBS 1, 40 per cent for KBS 2 and 35 per cent each for MBC and SBS.

<sup>281</sup> KBC, *Korean Television Industry Outlook* (Korean Broadcasting Commission, 2000)

argument for regional balance.

Among these twenty-five stations, sixteen stations did not have television facilities but simply handled one or two hours of radio programme a day. Each of these sixteen stations had around forty staff members but less than ten were production-related members. This disproportionately low number of programme-related members in these stations needed to be sorted out.<sup>282</sup>

## 7.2 Modernising KBS

In December 1997, Kim Daejung was elected to the presidency. When he was inaugurated as the eighth President of the Republic of Korea, it marked the first transition of power from the ruling to the opposition party in Korea's modern history. He took office in the midst of an unprecedented financial crisis. President Kim devoted himself to the task of economic recovery and managed to pull the country back from the brink of bankruptcy. He vigorously pushed reforms and restructuring to revitalise the economy.

In 1998, President Kim appointed Kwonsang Park as KBS president. Before this, Kim Daejung as president-elect had put him in charge of the government reorganising committee. Kwonsang Park, Kim's old friend and political supporter, had a good reputation as a newspaper columnist but no experience in broadcasting and management at all. He started his term as KBS president in April of 1998 and reorganised KBS twice in 1998, once in 2000 and then again in 2001. 1998 marked the attenuation of the organisation structurally, with its transformation into a digital entity occurring in 2000 and 2001.

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<sup>282</sup> Since 1998, the KBS management had tried three times to merge small-scale stations into headquarter stations. Each time, it did not succeed because of the strong KBS union protest. Local union members objected to the merger on account of representation of regional issues and cultures. In August 2004, seven local stations were abolished and the members of those stations were transferred to neighbouring headquarter stations. This was because both labour and management were commonly conscious of the changing broadcast environment.

### 7.2.1 Reorganisation in 1998: Department reduction

The IMF management of the Korean economy followed the exhaustion of foreign-exchange reserves in the fourth quarter of 1997 and the broadcasting business, along with all other industries, faced a financial crisis. As companies reduced their advertising budgets, the revenues from advertising fell from 602 billion won in 1996 to 570 billion won in 1997 and to 336 billion won in 1998. The three broadcasters had enjoyed full advertising slots for many years, but advertising rates began to fall in July 1996 to 73% in January 1997, and at KBS there were unsold slots even during prime time.<sup>283</sup> Although revenues from licence fees increased each year (380 billion won in 1996, 398 billion won in 1997, 415 billion won in 1998), this revenue was not sufficient to compensate for losses from unsold airtime. Advertising and licence fees compared at 60 and 40 percent of total revenue, respectively, and soon changed to a ratio of 45:55. The net profit for 1997 was 68.6 billion won, but a net loss of 58 billion won was recorded in 1998.

In an attempt to overcome this financial crisis, KBS cut the production budget and reorganised the corporation in May and again in December of 1998. KBS pushed for a 'smaller, more efficient organisation' strategy and reduced an eight headquarter, 60 department, and 152 section organisation to a 5 headquarter, 45 department, and 112 section organisation (KBS, 1999). The headquarters for special duties was shut down, and a broadcasting policy office was established, combining the functions of programming and policy making. Also, radio headquarters and television headquarters were consolidated into a productions headquarters, overseeing both TV and radio production centres. Subsidiaries were also reorganised. The Cultural Enterprise, which managed publishing and cultural performances, was combined with the Audio-Visual Enterprise, which managed the export of programmes. The Production Enterprise was privatised; its sale occurring because of a set ratio for externally produced programmes and its production not being regarded as

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<sup>283</sup> 'Broadcasters Face the Worst Depression,' *Media Today*, 23 July 1997.

external.<sup>284</sup>

The reduction of departments and staff was a shock for KBS, which had been expanding ever since its inception. Nonetheless, the reorganisation of 1998 was not a substantial restructuring for better management and broadcasting, but rather a rearrangement of departments for the sake of appearance.<sup>285</sup> For example, the consolidation of TV and radio headquarters was, in substance, not a structural integration of the two but a reduction of one post, that of the radio chief executive. Fundamental problems such as low efficiency and high cost structure still remained as before.

### **7.2.2 Reorganisation in 2000: Specialisation of management and production**

If the reorganisation of 1998 is seen as a relatively passive action under the pressures of the IMF crisis, the reorganisation that took place after the year 2000 was of a more positive and active nature, with aims and hopes to construct a more viable configuration. However, it did not address the longstanding problems of bureaucracy and sectionalism, for example, the staff members were concerned with the interests of their own headquarters or occupational types such as their producer, designer and engineer rather than the interests of the whole. In addition, the reorganisation was directed at the viability of a broadcast organisation and had nothing to do with the organisation's role as a public service broadcaster.

#### **7.2.2.1 Two vice presidents**

In May 2000, KBS appointed two vice presidents in accordance with a broadcasting act

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<sup>284</sup> The ministry of culture and tourism, in charge of the external production quota, regarded the trading between KBS and KBS Production Enterprise as internal and demanded that KBS be supplied by other independent producers. 'KBS- Independent Production Trouble Over External Quota', *Joongang Daily News*, 2 June 1999.

<sup>285</sup> Interview in March 2001 with Sungho Kim and Choyung Jung, who drew up and executed the reorganisation plan.

provision that limited this role to two positions.<sup>286</sup> One vice president was to oversee the broadcasting department and the other the management of the broadcasting station. The VP in charge of broadcasting had control over the formation, production and news sectors, and the VP of management undertook the responsibilities of the remaining sectors.

This system of having two vice presidents, which was introduced with the objective of management specialisation, brought with it complication and duplication. As the broadcasting business involved a management sphere, the staff members were confused as to who was the final decision-maker.<sup>287</sup> This uncertainty continued even after the jurisdiction of each VP was clarified. Management affairs, which were not under the jurisdiction of the broadcasting VP, were still to be reported to him in a spirit of cooperation. As each chief executive was virtually in charge of his headquarters, the vice president was a mere duplication. This dual vice president system was against the current of the times. This contrasts with the BBC at this time, where department heads reported directly to Greg Dyke without a deputy director-general as intermediary. The dual vice president system was originally conceived to help the president Park, who had no experience in broadcasting and management. But it obscured where the responsibility and authority lay, and delayed the progress of work rather than promoted management specialisation.<sup>288</sup>

#### **7.2.2.2 Organising the production structure by genre**

With the reorganisation of May 2000, the TV production centre, which was initially divided by channels into TV 1 and TV 2, was restructured into different genres, such as the Cultural Programmes and Entertainment departments. The KBS television production departments had previously been organised into genres in the early 1990s. The departments of Cultural Programmes, Special Programmes, and Entertainment were restructured into TV 1 and TV

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<sup>286</sup> *Broadcasting Act of 2000* (Clause 50 Article 1).

<sup>287</sup> Interview in March 2001 with Minhyung Um.

<sup>288</sup> Yeonjoo Jung, who succeeded Kwonsang Park in April 2003, returned to the one vice president system.

2 as former President Doopyoo Hong began his term in 1993. The production headquarters' loose framework of genre division became more clearly defined as the Special Programmes department left the Cultural Programmes department, becoming independent.

Organising production teams by genre was a desirable direction as it reflected the industry's trend and helped with production specialisation. Throughout the 1990s, every field of Korean society became specialised. In the 1980s, the audience's main discontent with broadcasting had been the bias and unfairness of news, and the criticism directed towards news reporters. Lately people have been complaining about the low quality of programmes, and so, the complaint fell upon programme makers. For years programme makers had aspired to be specialists, covering specific fields, rather than generalists. They wanted to increase their own specialties that could hardly be substituted by others.

The key to the success of the genre system was closely related to the organisational culture and the attitudes of the staff to promotion. With the genre system, KBS revised the office regulation and created new posts, such as the executive producer posts for those programme makers who would like to be specialists. The new regulation says that if a producer enters the specialist career, he/she can devote himself/herself to programme making until retirement but shall not be a member of the management. Organising by genre was a test to see whether the Production departments could break their hierarchical practices and move towards specialisation.

### **7.2.3 Reorganisation in 2001: The establishment of a digital infrastructure**

It was not until May 2001 that KBS's adaptation to the digital age truly began. While establishing departments for new media, KBS also tried to rationalise its management structure.

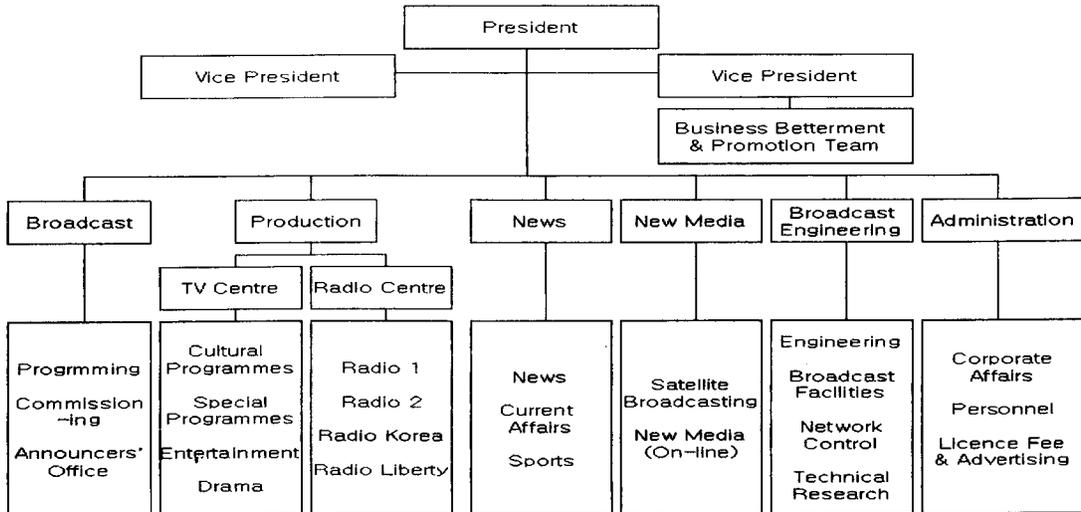
### **7.2.3.1 Setting up the New Media Headquarters and the Commissioning Department**

In May 2001 the New Media Headquarters, controlling broadcast contents and satellite television was founded. This elevated the media centre, which had previously been under the influence of the Special Duties Headquarters, an action taken in anticipation of the broadcast of satellite and digital television in the coming December.

At KBS Broadcast, in accordance with the increasing ratio of externally produced programmes to 40% in 2003 and to better control the quality of these programmes, a separate commissioning department was founded in lieu of the chief and deputy manager. The increasing independent quota broke the balance of power between Broadcast and Production. Broadcast became influential while the influence of Production was on the ebb. Producers at Production felt disempowered, as they became one of many productions supplying programmes to Broadcast and only to it. The independent quota did not contribute to the decreasing of staff members as it did at the BBC. This was partly because the power of the trade union was strong. The main reason was that the management was not confident of the necessity of reducing the staff. The increased manpower of Production by the increased contribution of independent productions did not relate to enhancing the quality of in-house programmes.

Setting up the New Media Headquarters was to keep pace with the change of broadcasting. But whether the new department works well is quite different from setting it. As the department was not set up under a detailed plan, it was not clear about what it should do and how its work would relate to that of other departments. The department staff started to define their work after being assigned to it.

Figure 7.1 The organisation of KBS in 2001



### 7.2.3.2 Forming the Business Betterment and Promotion Team

In December 1999, KBS announced the ‘KBS New Millennium Plan’, which detailed plans and the direction and role that KBS was to take in the new broadcasting environment. Through this plan, KBS established its commitment to public service broadcasting by promoting public service programmes and services and also by constructing a foundation to fulfil the ever-changing needs of the digital age.<sup>289</sup>

After more than a year of research and discussion, KBS decided to implement an ERP system as a method for digitalising broadcasting and management. The Apollo project served as the momentum for this task.<sup>290</sup> KBS’s existing information system was one that had been developed for each of the various departments independently and had therefore focused on single tasks. Consequently, it was weak in linking and synthesising information across departments and was not helpful in providing data for decision-making at

<sup>289</sup> *KBS New Millennium Plan* (KBS, 1999) pp.30-31.

<sup>290</sup> Interview in March 2001 with IT managers Wonhae Lee and Jaehak Lee.

appropriate times. Cost controlling measures began in 1991 when programme production costs were factored in total production costs, including indirect costs, but because the proportion of indirect costs had not yet been identified, this statistic did not prove useful. Looking at the situation in terms of operational flow, KBS merely followed traditional practice and repeated the same inefficient processes, and a large number of overlapping elements prevented the efficient use of KBS's resources.

KBS named the task of equipping the digital infrastructure the 'DCS Project' and put the Business Betterment and Promotion Team in charge.<sup>291</sup> This team devised a detailed plan for the execution of the project in August 2001 and has been test operating ERP in financial departments for estimating budgets, among others, since May 2002. KBS plans to finish applying ERP to production departments at headquarters by October 2002, after which it will extend the service to regional KBS stations.

### **7.3 The organisational culture of KBS and the value-orientation of its members**

Securing public-ness has been a major challenge for Korean broadcasting for some time, but this challenge appears insurmountable. Broadcasters have proclaimed the 'strengthening of public-ness' whenever there has been a change in management or a revision of programmes, but this has always been a temporary movement, rarely leading to any substantial result. Even this year, SBS founded a committee for the increase of public-ness in broadcasting and announced the production of more public-oriented programmes. MBC also publicised its use of quality indices in the production of its programmes. KBS has run a 'Promise To The Viewers' campaign since 1999 through which it hoped to produce more programmes that were beneficial to the viewers, but as the report on the evaluation of management pointed out, it focused much too heavily on the ingratiation of

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<sup>291</sup> DCS stands for Digitalization of contents and business Process, Changing KBS into a digital organisation, and an establishment of a Speedy management system. For a detailed account, see

the masses, and was ultimately not able to differentiate itself from commercial broadcasters.<sup>292</sup>

In April 2003, the KBS Producers' Association prepared a symposium, which would be held in June, on the problems of the current KBS programming and production system and how it should change in the new broadcasting environment.<sup>293</sup> The author was called upon to participate in the symposium and present opinion upon it. It seemed to the author that the important thing was what the change was for. Depending on the aims of change, discussions will differ. Whether KBS wants to be influential as a broadcaster or a public service broadcaster is quite different. If it is to be a real public service broadcaster, it needs to establish public purposes and have an organisational culture to support such purposes. Can the organisational culture of KBS support such public purposes? In this case, it is necessary to understand the organisational culture of KBS.

With the help of the Association, empirical research was conducted to examine the problem of securing public-ness from the perspective of the mindset of those engaged in broadcasting and also the corporate culture of broadcasting. This dual focus was chosen because broadcasting cannot be separated from the attitude of those producing it and the producers cannot easily escape the value system of the broadcasting station for which they work.<sup>294</sup> The programme is an outcome of the relationship between a broadcast

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*KBS's DCS Project* (KBS, 2001).

<sup>292</sup> KBS, *Report on KBS Management* (KBS, 2002).

<sup>293</sup> The symposium was held on 3~5 July 2003 in three fields: the problems of KBS personnel system and how they can be overcome, programming strategies for the new broadcasting environment and the reformation of production system. The author read a paper, 'The organisational culture and value orientation of KBS'.

<sup>294</sup> Culture is understood as the framework of how the constituents perceive themselves and their faith towards, their values surrounding, and the customs of their job. Bolman, G. and Deal, T. *Reframing Organisations: Artistry, Choice and Leadership* (San Francisco: Jossey-Bass, 1991); Cited in Küng-Shankleman, op. cit., p.6-7. The study on gatekeeping established that the selection of news reports is not grounded on the individual beliefs of a single reporter, but on the character and disposition of the news organisation as a whole and contributed much towards understanding the formation of a news value system. George Bailey and Lawrence Lichty, 'Rough Justice on a Signon Street: A Gatekeeper Study of NC's Tet Execution Film', *Journalism Quarterly* (1972),

organisation and its producers. In this regard, organisational culture matters. It also exerts influence on the organisation's ability to respond 'strategically' to environmental changes.<sup>295</sup> Eldridge and Crombie explain organisational culture as follows.

The culture of an organisation refers to the unique assessment of norms, values, beliefs, ways of behaving and so on that characterise the manner in which groups and individuals combine to get things done. The distinctiveness of a particular organisation is intimately bound up with its history and the character-building effects of past decisions and past leaders. It is manifested in the folkways, mores, and ideology to which members defer, as well as in the strategic choices made by the organisation as a whole.<sup>296</sup>

Organisational culture concerns a process as well as a product. It is a consensus and collective opinion that is shared among members of an organisation. It provides structural stability in the organisation that leads to developing patterning or integration of the elements of practices into a paradigm that ties the members together.<sup>297</sup>

In the case of KBS, TV 1 has been evaluated as conforming to the expectations of a public broadcasting station. On the other hand, TV 2 has received much criticism that it is no different from commercial broadcasters whose overriding concern is ratings. It can therefore be deduced that KBS does not have a unitary value inclination. This research examines the KBS producers and their attitude towards broadcasting, the differences exhibited across various departments, and the reason for such discrepancies. In addition, this research hopes to ascertain what Korean broadcasting needs in order to create a more public-oriented organisational culture.

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no.49; Cited in Glen Creeber (ed) *Television Genre Book* (London: BFI, 2001). p.116.

<sup>295</sup> K ng-Shanklemann, op.cit., p.217.

<sup>296</sup> Thomas J. Eldridge and Alastair D. Crombie, *A Sociology of Organisation* (London: Allen & Unwin, 1974) p.89.

<sup>297</sup> Edgar H. Schein, *Organisational Culture and Leadership* (San Francisco: Jossey-Bass Publishers, 1992), p.10.

### **7.3.1 Research on KBS's culture and value system**

A questionnaire survey and a subsequent interview were carried out in May 2003 at KBS to identify the characteristics of its organisational culture and the value-orientation of its members. The research focused on examining the cultural tendencies and value systems of KBS producers using data from questionnaires and subsequent interviews.

#### **7.3.1.1 Questionnaire survey**

The questionnaire is divided into two parts. The first part consists of questions quoted from the model drawn up by Goffe and Jones<sup>298</sup>, which classified an organisation's culture by assessing the level of sociability and solidarity among its members (See Questionnaire on page 26). They argue that culture serves to give an organisation its identity. In short, culture is a community, the result of how the constituents of that organisation interact with each other. They categorise organisational culture into four types (fragmented, networked, mercenary, and communal), according to the sociability and solidarity of the constituents. Here, sociability is an emotional index measuring the tendency of a constituent not to use his associate to achieve a goal, but rather to relate to the co-worker as a true colleague and friend. Solidarity measures how well the constituents can work to achieve a common goal or assignment regardless of their familiarity with one another. No single type can be labelled as best; the appropriate culture for an organisation depends on the business environment in which it resides. However, Goffe and Jones assert that a communal culture is desirable for a public service broadcaster. The second part of the questionnaire consists of questions used to identify the value-orientation of KBS members.

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<sup>298</sup> Goffe and Jones, *op.cit.*, pp.146-7.

### 7.3.1.2 Questionnaire distribution, respondents and reply mode

For this study, producers who are in charge of programme formation and production from KBS Programming, Special/Cultural Programmes, Entertainment Programmes, and Satellite Broadcasting departments were given questionnaires. First, the Goffe and Jones questionnaire was administered to ascertain KBS's organisational culture type. Questions measuring sociability and solidarity (seven questions each) were given with replies on a 5 point recurring scale. This scale ranged from 'very much' (5 points) to 'not at all' (1 point), with the median being 'normal' (3 points). In addition, the conditions necessary for a communal organisational culture, the most important factors surrounding the planning and production of a programme, problem resolution surrounding the identity of KBS TV 2, the relationship between advertisements and ratings, whether or not an increase in licence fees would lead to increased public-ness, and other issues were also raised in the questionnaire. The survey was distributed and collected in May 2003 at the first weekly producer association meeting.

Table 7.4 The department and career of respondent producers

	Frequency (persons)	Percentage (%)
Programming	22	34.9
Special/Cultural Programmes	16	25.4
Entertainment Programmes	12	19.1
Satellite Broadcasting	13	20.6
Over 20 years	6	9.5
10-20 years	29	46.0
5-10 years	18	28.6
Less than 5 years	4	6.4
Not available	6	9.5
Total	63	100.0

There were a total of 63 respondents, whose departments and career records are given in Table 7.1. The department with the largest number of respondents was Programming, and the career record bracket with the largest number of respondents was 10-20 years. Special Programmes and Cultural Programmes departments are categorised together because less

than two years have elapsed since the former detached from the latter as an independent division and because the two divisions are very similar in nature.

### **7.3.1.3 Subsequent interview**

In order to do an in-depth analysis of KBS formation and its producers, ten producers, including the chief secretary of the producer association, were interviewed. Interviews were run as individual consultation sessions based on established research questions and also as a discussion format with a group of producers together. These interviews took place in the second week of May in the office of the KBS producers association.

Ten interviewees were broadly divided into 3 groups: assistant producers who had worked less than 5 years, senior producers who had worked between six and ten years, and manager-level producers who had worked longer than ten years.

## **7.3.2 Research findings**

### **7.3.2.1 The type of culture**

There was a clear discrepancy in the sociability and solidarity of KBS producers from department to department (See Table 7.2). Sociability was highest in Special/Cultural Programme departments and lowest in Programming. Also, solidarity was highest in Special/Cultural Programme departments and lowest in Programming. The solidarity in each department was higher than average and showed little variance across departments, whereas sociability differed greatly from department to department.

Table 7.5 The sociability and solidarity of KBS producers

	Sociability	Solidarity	Culture type
Programming	2.92	3.08	Mercenary
Special/Cultural Programmes	3.47	3.27	Communal
Entertainment Programmes	2.98	3.24	Mercenary
Satellite Broadcasting	3.25	3.16	Communal
Overall	2.99	3.18	Mercenary

When the survey results are applied to the Goffe and Jones model of culture types, the Programming and Entertainment Programmes departments are classified as mercenary organisational cultures and the Special/Cultural and Satellite Broadcasting departments are communal organisational cultures. Overall, the culture of KBS is classified as mercenary. However, considering that all levels fell around the median an alternate interpretation could be that KBS has no distinctive culture or that KBS does not have the culture necessary for public service broadcasting.

Producers attributed the factors that inhibit sociability to the competition for ratings and programme budgets between departments. Entertainment Programme producers in particular thought that they were exposed to excessive competition with commercial broadcasting and but did not receive the proper honour due to their contribution. Most producers irrespective of their departments are against the Chief Producer system and think that it hampers their creative work as well as solidarity. CP (Chief Producer), which actually refers to the executive producer, is a word coined by Japanese broadcasters. The CP system, which was first introduced in 1994, allows the chief producer to exercise the right of personnel management and budget control. Producers criticise it that the chief producers monopolise all the decisions and they perform passive and functional roles. They think that the CP system is not about programme quality but about controlling them. Similar to the different assessment of Producer Choice between managers and the creative (see Chapter IV, p.72), there are marked differences of perspective to the CP system

between the two at KBS.

### 7.3.2.2 The value orientation of KBS producers

In response to the question ‘What are the most important considerations of KBS producers in the formation and production of programmes?’ producers usually answered public interest and ratings. The producers of Programming, Special/Cultural, and Satellite Broadcasting departments all replied that the question of KBS’s identity as a public service broadcasting station was an important issue in need of resolution and that public-ness was the most prioritised consideration, and Entertainment Programme producers all replied that ratings superseded any other consideration.

Table 7.6 The first priority of programming and scheduling (person/percentage)

	Public interest	Ratings	Others
Programming	14(63.6)	6(27.3)	2(9.1)
Special/Cultural Programmes	11(68.6)	3(28.7)	2(12.5)
Entertainment Programmes		12(100.0)	
Satellite Broadcasting	12(92.3)	1(7.7)	
Total *	49(77.8)	10(6.3)	4(6.3)

These responses reveal that the priorities of producers differ with their respective programme responsibilities. Producers of Special/Cultural and Satellite Broadcasting departments, who produce documentaries, current affair programmes, and other educational material, value public-ness, whereas Entertainment Programme producers attach greater importance to ratings. Responses also correlated with whether or not the programmes air advertisements. The Special/Cultural and Satellite Broadcasting programmes, most of which are aired on TV 1 and the satellite channel, do not carry advertisements. On the other hand, Entertainment programmes and the other TV 2 programmes air advertisements.

Because there is a direct relationship between advertising revenues and ratings, Entertainment producers naturally stress the importance of ratings.

A relationship between the prioritisation of ratings and programme advertisements also exists within the Programming department. Five out of six of the Programming producers who replied that ratings were the most important consideration in the formation of programming are also producers in charge of externally produced programmes on TV 2.

Criteria for the commissioning of external programmes increasingly emphasise ratings potential. In the case of subcontracted morning talk shows, a competitive system is employed whereby a surplus of productions are selected, and the production with the lowest ratings is cancelled in the subsequent week. In the case of KBS TV 2's *Happy Channel*, a total of seven productions per week compete for five slots in any given week.

Table 7.7 Relationship between ratings-oriented programming and licence revenue

	Cease/Decrease	No relation	Not answered
Programming	12(54.5)	9(40.9)	2(9.1)
Special/Cultural Programmes	8(50.0)	7(43.8)	1(6.2)
Entertainment Programmes	8(66.7)	4(33.3)	
Satellite Broadcasting	1(7.7)	10(76.9)	2(15.4)
Overall	25(39.7)	32(50.8)	6(9.5)

The relationship between programmes and ratings can be confirmed once again with the question 'Do you think an increase in the weight of licence fees in the capital structure will alleviate the ratings-oriented nature of producers?' 66.7% of Entertainment Programme producers, 54.5% of Programming producers, 50% of Special/Cultural Programme producers, and 7.7% of Satellite Broadcasting producers answered that an increase in the weight of licence fees in the capital structure (a decrease in funding from advertising) will lessen the ratings-oriented nature of programme formation and production. Responses were

aligned with the ranking of departments that prioritise ratings in the formation and production of programmes. Based on this data, Entertainment producers feel more pressure from ratings in the production of their programmes than the producers in any other department do.

Meanwhile, more than half of the respondents reject the notion that the ratings-oriented attitudes of producers and their reliance on advertisement funds have any direct correlation: 'Ratings-orientation is by no means in opposition to promoting public-ness'; 'Ratings is an important measure by which we can evaluate the completeness of a programme'; 'Ratings shows KBS's power of influence'; 'Ratings is a value that should be pursued in addition to public-ness'; and 'A certain degree of focus on ratings will strengthen the public-ness of broadcasting' are some of the opinions surrounding ratings and the public-ness of broadcasting. Overall, the respondents showed that public-ness was the foremost consideration in the production of a programme, but also showed a positive attitude towards ratings. This justifies Kang's assertion,<sup>299</sup> which states that regardless of the current ownership structure, Korean broadcasting cannot help but be affected by ratings and that ratings is the fundamental theory behind the activation of broadcasting in Korea. He saw the reason for the ratings-orientation of Korean broadcasting as the fact that Korean broadcasting history has been led by changes in administration and capital structure. During and after the coup d'état on 16 May 1961, the constitutional amendment for the third presidency in 1972, and the coup d'état on 12 December 1979, each administration utilised broadcasting as a tool for political propaganda. These governments increased the number of policies regulating commercial television and radio broadcasts in order to divert the nation's attention from the political arena. Thus, a vulgar mass culture, which was pleasure-oriented, consumption-oriented and also amusement-oriented, developed with commercialism and a ratings-orientation diffusing throughout Korean broadcasting regardless of the ownership structure of broadcasting.

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<sup>299</sup> Daein Kang, '70 Years of Korean Broadcasting, Its Political and Economic Characteristics,' Korean Broadcasting Society (ed.) *The Appraisal and Prospect of Korean Broadcasting 70 Years*

### 7.3.2.3 Opinions on KBS financing

The majority of the respondents believe that the current funding structure of KBS should be amended. Currently, KBS relies more heavily on the revenues from advertisements than on revenues from licence fees. 15 respondents (23.8%) replied that, for a more desirable funding structure, KBS needs to eliminate all advertisements and rely solely on the revenues from licence fees. 46 respondents (73%) asserted that the volume of advertisements should be decreased by raising licence fees, but not eliminating advertising in its entirety. These producers stated that the ratio of licence fee to advertising revenue should be fixed at either 7:3 or 6:4 so that an assured revenue from advertising is available for KBS's stabilisation. Many of the respondents also stated that although the raise in licence fees could contribute to a healthier 2TV environment, its ratings-oriented nature would not change. Some opinions regarding ratings are: 'Programmes with low ratings, although they may be wholesome, have no reason to exist'; 'There cannot exist an uncompetitive channel on television'; 'A television programme has to be ratings-oriented by nature'; 'From the perspective that television broadcast is service for the viewers, it is desirable that such programmes are ratings-oriented' and 'Because the Korean broadcasting environment is mainly one of commercial broadcasting, you cannot avoid the reality that the formation and production of programmes may be ratings-oriented'.

Table 7.8 Desirable financing structure for KBS

	Licence fee only	Mixed	Advertising only
Programming	4(18.2)	17(77.3)	1(4.5)
Special/Cultural Programmes	6(37.5)	10(62.5)	
Entertainment Programmes	4(33.3)	7(58.3)	1(8.3)
Satellite Broadcasting	1(7.7)	12(92.3)	
Total	15(23.8)	46(73.0)	2(3.2)

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(Seoul: Communication Books, 1997).

There is no doubt that ratings are the only index reflecting viewers' responses to programmes, but they do not reflect the wholesome-ness or completeness of a programme. For that reason, KBS developed a Public Service Index (PSI) in 1997, which evaluated the public-ness of programmes.<sup>300</sup> However, the PSI was used merely as a method of displaying the public-ness of KBS broadcasting to others and did not become a substantial measure of public-ness for internal use. Ratings are the only standard by which programmes are currently evaluated and thus a producer's ability is not reflected in the beneficial and meaningful nature of a programme, but is almost solely dependent on the programme's ratings.

The oath of 'Securing Public-ness of Programmes' was set forth by KBS in publications such as its *Annual Report* and *Promise to the Viewers*, in inaugural speeches by the presidents, and in programme reorganisation prospectus, but it did not become an actual working principle. An Entertainment Programmes producer commented, 'When problems surrounding the selection of programmes and violence in programmes arise, the management sends down orders reinforcing the increased public-ness that is desired in our programmes. However, this is a momentary settlement, for the evaluation of programmes and producers revolves around how high or low ratings for that programme were'.<sup>301</sup> When values expressed to the public are not in line with internally valued factors, constituents are inclined to lean more towards the internal value system. When beneficial and educational programmes are not acknowledged for the effort that went into their making and are evaluated exclusively using ratings, producers cannot help but take on a ratings-oriented attitude. The 'espoused values' have not yet reached the 'basic underlying assumptions' set forth by KBS.<sup>302</sup> According to Schein, culture appears in three dimensions: artefacts, espoused values, and basic underlying assumptions. Artefacts appear on the surface of a

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<sup>300</sup> PSI index measures the degree of viewer's satisfaction by three categories of production evaluation, information indication, and emotional reaction. In case of production evaluation, people are requested to choose one among 11 scales from 'very poor'(0) to 'excellent'(10) to the question 'How well do you think the programme was made?'

<sup>301</sup> Interview in May 2003 with Taekyung Lee.

<sup>302</sup> Schein, op.cit., p.58-63..

culture and are factors that can easily be seen, heard, or felt. The communication methods of an organisation, its etiquette and the level of formality within an organisation, and its material environment are also included in this classification. These are factors that can be easily observed but are hard to analyse. Secondly, espoused values are the officially expressed strategy, objectives, and philosophy of an organisation. However, one needs to exercise caution in analysing these espoused values, because the espoused values can be irrelevant to the organisation's reality and instead represent how it would like to be perceived. Basic underlying assumptions are the intrinsic nature of a culture, the motivations which drive organisations to pursue the fundamentals of value, the unconscious beliefs which encompass the understanding of the organisation and its surroundings. These basic underlying assumptions do not exist independently but create an interrelated faith system or paradigm. Culture is strong because it is not a simple combination of a number of assumptions and beliefs, but a harmonised compilation of those beliefs and assumptions. Culture does not change easily but also does not stay constant over time. Culture is the embodiment of the accumulated knowledge of past constituents. It is at the same time influenced by the environment, and continues to evolve as new constituents experience the culture for themselves and react to recreate the process. In this respect, KBS's espoused values, what it officially expresses as its goal and philosophy, may display the fundamental belief system of KBS. However, these values are merely what KBS would like others to see and what it hopes it can become in the future.

The constituents of an organisation develop common concepts in their respective roles, and these concepts enable the organisation to exist in its given environment. This then becomes the central factor of the organisational culture and is used in the embodiment process of the organisation's goals.<sup>303</sup> In this respect, KBS needs to let public service settle in the minds of its employees as a substantial principle of broadcasting if it is to secure public-ness as a characteristic.

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<sup>303</sup> Ibid., p.59.

#### **7.4 Reinventing KBS from the cultural angle**

The reason that public service has not been able to root itself as a dominating value of KBS broadcasting is because of Korean history. After being established as a state-run broadcasting station, KBS became a public service broadcasting station without discussing and understanding the concept or goals of public service. Later, it absorbed a number of other commercial broadcasters as a result of the Broadcasting Merging and Abolition Move of 1980. During this process, KBS formed an abnormal culture as the remnants of state-run broadcasting met commercial ratings-oriented television. Even afterwards, there was no time during which management and constituents as a whole sincerely discussed the objectives of broadcasting and KBS's specific goals.

KBS's dependent culture needs to be reformed. Under the consecutive authoritative governments, producers had not decided for themselves what to broadcast and how to make programmes. Hierarchical practices in programme making pervaded every corner of KBS and still remain. A more creative and autonomous culture needs to be established. The passion and creativity of producers is not to be given automatically but to be cultivated in the organisation which cherishes such passion and creativity.

An organisation's culture and value-orientation are not easily changed, but even so they do not remain constant over time. Because organisational culture is formed slowly over a long period of time, proclamations irrelevant to the reality of its constituents' mindset will not change the organisation overnight. There has to be an opportunity for the constituents to internalise the values of public service so that KBS can establish its identity as a public service broadcasting station and in doing so secure public-ness in its programmes. Only then will that experience contribute to the true culture of the organisation.

KBS's approach towards organisational culture and securing public-ness in broadcasting

must be ongoing. A short term or temporarily expedient solution will only delay permanent resolution. 'Securing public-ness' should not be a superficial motto for the company; instead, it has to be treated as an essential point of operations so that this value can find its place as a basic underlying assumption for KBS. Although the journey is expected to be slow, it is one that KBS must take.

## **Chapter VIII. Conclusion**

### **8.1 Summary and conclusion**

The subject of this study has been the changing broadcasting environment and its relevance to public service broadcasting. This study aimed at providing a comprehensive understanding of the policies and strategies undertaken by KBS and the BBC in the 1990s. It also explored some of the problems within Korean broadcasting, especially the need for Korean broadcasting to operate in the public interest. This study also explored the need to find a new role for public service broadcasting in general in the digital era.

A research framework was designed to answer the three main questions. Firstly, it investigated the developmental process of British broadcasting and compared it with that of Korean broadcasting in order to identify the main factors that form the characteristics of Korean broadcasting. Secondly, it explored ways to establish the public-ness of broadcasting in Korea from the perspective of institutional conditions and organisational culture. Thirdly, it examined implications of the changes in the media environment during the past decade for both KBS and the BBC, and reaffirmed the public purposes of public service broadcasting.

This study placed together the two different approaches of comparative study and historical analysis. This was because a broadcasting structure could be understood only through comparison with other ones and in the context of history, according to Briggs.<sup>304</sup> The primary purposes of the study were to identify the reasons why Korean public service broadcasting had not fulfilled the public service remit and to explore how it could establish the public-ness of its broadcasting. What the Korean public service broadcasting is, what its

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<sup>304</sup> Briggs wrote in his book that it was impossible to understand British broadcasting, a unique structure in the world context, without comparing it with other broadcasting structures, and without

current problems are, and how it can overcome such problems could be grasped by a comparison with another broadcasting structure. This study chose the BBC as an object of comparison because the BBC has been regarded in Korea as an ideal model of public service broadcasting. To understand the current BBC, it was necessary to understand the past BBC.

This study examined the historical development of broadcasting in Korea and Britain. It was not a summary of events in chronological order but a review of the past from the perspective of public service. This examination was based on primary and secondary sources. It showed the fact that the broadcasting system of a country is a social and historical product of that country and an outcome of discussions and interactions between different social forces and interests in that specific period. Britain pioneered public service broadcasting, in keeping with the country's longstanding principles of public service. The BBC, at first founded as a private company in 1922, was relaunched in 1927 as a public service broadcaster and given a Charter after extended and heated parliamentary discussion on how this organisation should function. John Reith played an important role in changing the BBC's status and afterwards developed a clear vision of the role and responsibilities of the BBC as a public service broadcaster. British broadcasting has been extended through carefully considered additions to the existing framework with specific objectives in terms of the public service idea: the introduction of a commercially funded ITV to provide choice and regional identity under the regulatory control; and the establishment of CH 4 to offer outlets for minority programming and to encourage innovation.

Compared with the history of British broadcasting and of the BBC, Korean broadcasting followed political trends very closely and was used merely as a tool of propaganda by various administrations. After colonisation under Japan, military administration under the US, and decades of authoritarianism, Korean broadcasting found itself far from the origins of public broadcasting. It was therefore unable to assume its proper role as an institution of

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tracing its origins back to the 1920s. Asa Briggs, *Governing the BBC* (London: BBC, 1979), p.11.

speech and as a medium of culture. Korean broadcasting was not a medium of societal democracy, and instead became an organisation which suppressed it. Though Korean broadcasting was managed under a series of operating systems, its utilisation as a tool by the government for political motives remained constant over time. The longstanding tradition of political involvement in KBS management means that programme makers have not enjoyed the degree of professional autonomy that is taken for granted in Britain.<sup>305</sup> As a consequence, KBS producers have not had such attitudes to the occupational task which BBC producers have had as deep commitment to the goals of public service, deep commitment to the task and craft of making good programmes, and overriding professionalism which favours broadcasting for broadcasting's sake. There was no visionary leader or defining individual like Reith in the history of Korean broadcasting. There was also no mechanism for public debate in real terms like the royal commission or committee of review that Britain had and therefore in Korea the ideology behind, and the fundamentals inherent in public broadcasting had never been discussed in public.

In-depth interviews were conducted both at the BBC and KBS to trace the change during the 1990s. The in-depth interview is a qualitative research method that involves person-to-person discussion. It can focus in depth on a relatively small number of themes and therefore lead to a deeper understanding of people's thoughts, feelings, and behaviour on the issues. This type of interview is often unstructured and therefore allows the interviewer to talk with a respondent at length about the topic of interest. It intends to ask respondents questions to explain the reasons underlying a problem or practice. I feel that the in-depth interview was suited to the purpose of this study, which was to cover all aspects of the organisational change in KBS and the BBC.

The interview at the BBC would not have been possible without the special request from the KBS President. During the president's official visit to the BBC, he contacted the BBC

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<sup>305</sup> A BBC manager says that BBC producers make the programmes they like or want to make regardless of the governors or even the Director-General might think. Cited Marmaduke Hussey,

Director-General if it would be possible for a KBS producer to spend some time at the BBC to learn about the process and outcome of the BBC's restructuring. The Director-General said that he would like to help KBS as much as possible as a fellow public service broadcaster. Prior to the interview, I sent a research outline (Table 1.2), which was made from primary and secondary sources. According to the outline, the BBC External Relations office made appointments with the relevant people. All the interviewees arranged by the office were above the level of manager: directors, heads or editors. They knew and explained well the subject matters concerned and were very positive to the BBC restructuring. Their explanations were in line with the tenet of BBC's official publications. They were confident with the current change in the BBC. They seemed to focus more on the future rewards rather than the present problems. They were able to justify what they had done and what they were doing. Interviews with some rank-and-file members, engaged in programme making, were done on my own. These unofficial interviewees were not affirmative to the organisational change. They were prudent in stating their opinions and so wanted to make their names unknown in case I should use their opinions. Though the number of people I met unofficially was small, I could feel the climate of fear, as Greg Dyke later referred to. That was why I concluded that the managers and the creative workers had some different perspectives on restructuring.

A quantitative research method was used in conjunction with a qualitative one. The questionnaire survey, taken here to identify the characteristic of KBS culture, is a quantitative research method of gathering information from a sample of individuals. The sample is usually just a fraction of the whole being studied. The sample size required for a survey depends on the statistical quality needed for the survey findings. In the KBS questionnaire survey, the total respondents were sixty-three. It showed that KBS did not have a distinct culture worthy of a public service broadcaster. When the result was applied to the Goffe and Jones model, the culture of KBS was classified as mercenary. An in-depth interview was conducted subsequently to identify the value orientation of KBS programme

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*Chance Governs All* (London: Macmillan, 2001), p.207.

makers. The result was that the priorities of the KBS producers differed from their respective programme responsibilities. Some valued public interest, others attached greater importance to ratings. Responses also correlated with whether or not the programmes aired advertisements.

During the research at the two organisations, there was a change in my position as a researcher. In March 2001 my role as a KBS producer changed to that of a university lecturer. When I met the BBC people, I was still working for KBS. The BBC people treated me as an employee of a foreign broadcaster rather than as a research student, though I introduced myself as both. However, I do not think that their explanations would have differed from the original if I had not been a KBS employee. As KBS did not matter to them, whether I was engaged in KBS or not would not influence their answer. In the case of my research at KBS, my position as an academic outside KBS might have influenced the response. In the 2002 interview, I felt somewhat different attitudes from the KBS people I interviewed. They were cooperative during the interview but conscious of its use and defensive toward my questions. In the 2003 Questionnaire survey, I informed that the survey results would be made available at the forthcoming symposium on the current problems of the KBS programming and production system. Some respondents said later in a subsequent interview that they rated the current state of KBS better than they actually felt because the result would be made known to everybody. They wanted KBS to look sound. Their efforts, however, could not reverse the result that KBS did not have a communal culture.

This study showed that throughout the 1990s the traditional image of BBC as a public service broadcasting had been changing. The BBC management under Director General John Birt had tried to make the BBC a single orderly organisation. Market-oriented projects had been embarked on successively to align the BBC with market principles. Producer Choice, an internal market system, was at the centre of such initiatives for efficiency and financial control. As efficiency and productivity were stressed, the corporation was

described internally as a billion-pound business and programmes became commodities rather than cultural products. The management role was emphasised and the systematic and structured approach was encouraged. Guidelines for managers were newly written and a large-scale audience research was conducted to meet the needs of a changing audience. A series of restructuring influenced the attitudes of the BBC people.

According to Bob Nelson, the head of Organisation & Management Development, the BBC people became more favourable toward commercial activities than before. The Birt management had changed the ways of programming, managing resources and decision-making. However, it could not be said that the corporate culture of the BBC had changed fundamentally. Organisational culture, as Nelson said, is the prevailing norms and values of an organisation, the way the organisation does things and the patterns of behaviour. But there are other aspects of culture. Culture, according to Schein, appears at three levels: artefacts, espoused values and basic underlying assumptions. Artefacts are the communication methods of an organisation, its etiquette and the level of formality within an organisation, which appear on the surface of a culture and are factors that can easily be seen, heard, or felt. Espoused values are the officially expressed strategy, objectives, and philosophy of an organisation. Basic underlying assumptions, the deepest level of a culture and its essence, are the intrinsic nature of a culture, the motivations which drive organisations to pursue the fundamentals of value, the unconscious beliefs which encompass the understanding of the organisation and its surroundings. From the Schein's perspective of culture, the Birt management changed the espoused values only. The uncomfortable transition, which Jones refers to, resulted from the conflict between the espoused values and these basic assumptions. That is to say, the Birt management's drive for efficiency and productivity came into collision with the BBC's longstanding commitment to quality and public service ethos.

An organisation's culture and value-orientation are not easily changed, but even so they do not remain constant over time. Because organisational culture is formed slowly over a long

period of time, proclamations irrelevant to the reality of its constituents' mindset will not change the organisation overnight. As shown in the research on the organisational culture of KBS and the value orientation among its constituents, KBS does not have a distinct culture worthy of a public service broadcaster and its members are confused in their choice of direction between public service ideals and ratings. Therefore, there has to be an opportunity for the constituents to internalise the values of public service so that KBS can establish its identity as a public service broadcasting station and in doing so secure publicness in its programmes. Only then will that experience contribute to the true culture of the public service organisation.

From a realist perspective, it is difficult for KBS to change and become a real public service broadcaster. This is because there are so many things to be done inside and outside of KBS. The KBS constituents do not feel an urgent need to fulfil the public service remit. They feel that they have been doing well. The Korean government approaches the broadcasting policy from an industrial angle rather than a cultural one. KBS, however, has to change. KBS is the test case of Korean broadcasting. The soundness of KBS will influence that of Korean broadcasting as a whole. Therefore it should be regarded as a special case as the BBC did. KBS itself needs to solve problems of excessive dependency on commercial revenues and rating-oriented programming policies that lead to its identity crisis as a public service broadcaster. For this, KBS has to recover and establish, to be exact, the trust of its people by distinctive programming and impartial news, worthy of a public broadcaster. A societal understanding of the public purposes of broadcasting and a careful concern of government policy are also necessary. A short term or temporary measure will only impede KBS's transformation into a true public service broadcaster.

This study has some limitations and suggestions for future research. Firstly, though this study classified organisational culture by assessing the extent of sociability and solidarity among the staff, it did not analyse the correlation between the level of sociability and solidarity and the type of culture beforehand. The questionnaire to measure KBS staff's

sociability and solidarity quoted the model drawn by Jones and Goffe as it was. The propriety of the questions should have been verified. Secondly, more staff members should have been interviewed at the BBC to depict the change in organisational culture. The interview with people above the manager level was very helpful in grasping the process of change but insufficient in saying about the influence of restructuring on staff morale and organisational culture. As far as BBC's cultural change was concerned, I had to rely much on secondary literature. Further research with a more detailed and structured plan needs to be done.

## **8.2 Changes at the BBC and KBS in the 1990s, and their implications**

The paradigm of broadcasting is shifting. Throughout the 1990s, a rush of change has swept across the broadcasting landscape. Deregulation and liberalisation, changes in social structures and people's lifestyles, along with technological advances combine to redraw the broadcasting perspective. With technological development, the problem of frequency scarcity is virtually resolved. The spectrum available for broadcasting is much wider than when television broadcasting began and television programmes can be delivered through a variety of means. Programmes are supplied through new media such as cable and satellite as well as through terrestrial channels. As the number of television channels available multiplies, the monopolistic status and *raison d'être* for universally funded public service broadcasters, which has long been regarded as 'the natural order of things', is called into question.<sup>306</sup>

With changes to the broadcasting environment, people's views on public service broadcasting also change. The BBC, which intended to raise licence fee for its digital

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<sup>306</sup> Eli Noam, *Television in Europe* (New York: Oxford University Press, 1991) p.4; Cited in Lucy Küng-Shankleman, *Inside the BBC and CNN: Managing Media Organisations* (London: Routledge, 2000), p.24.

services, faced objection from the British people in 1999.<sup>307</sup> Most people demanded that the BBC should cover digital services expenses through advertising and sponsorships. Gerald Kaufman, chairman of the select committee on culture, media and sports, says, 'people no longer regard the BBC as a special case'.<sup>308</sup> Commercial broadcasters argue that licence fee based public service broadcasting survives through a 'tax' that distorts free competition and the normal flow of the market.<sup>309</sup> KBS's situation is not different. Whenever it tries to raise licence fees, it has faced objections from the press and from citizen groups.

The situation in Korea is similar, but the character of the problem is different. While the main problem of the BBC relates to its funding system, that of KBS is connected with its identity crisis. In other words, the BBC needs to continue the current licence fee system to secure funding so as to compete with commercial broadcasters. On the other hand, KBS suffers not so much from lack of funding as from the source of the money. Either KBS has not been doing its public service role or would not do its duty, and this has led to an identity crisis. If the BBC is faced with the economic difficulty and drop in ratings, KBS is confronted with an identity crisis due to a neglect of its public duty, and hence offers almost similar programming as other commercial broadcasters. Therefore, the two public broadcasters suffer financial problems, but those problems are different in nature. Accordingly, the solutions will be different.

KBS needs to solve problems of excessive dependency on commercial revenues and rating-oriented programming policies that lead to its identity crisis as a public service broadcaster.

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<sup>307</sup> In August 1999, a government-commissioned report by the economist Gavyn Davies on the future of the BBC recommended a £24 increase in the licence fee for people with digital television. A *Guardian* poll, conducted just after the report was announced, revealed that nearly 60% of people questioned objected to any increase in their licence fee for digital services and only 7% of those questioned said they would be happy to pay. 'Public Demands BBC Shake-up', *The Guardian*, 17 August 1999.

<sup>308</sup> Ibid.

<sup>309</sup> 'Murdoch Slams BBC,' 'Murdoch Attacks BBC 'Monopoly'', *BBC News*, 7 April 1998, 'TV Firms Vow to Stop Digital Fees in Court,' *The Times*, 2 February 2000.

For this, KBS has to recover and establish, to be exact, the trust of its people by distinctive programming and impartial news, worthy of a public broadcaster. As the licence fee has not been raised over thirty years, KBS did not make efforts to reform its economic structure dependent on advertising revenues. It has regarded its taking of advertisements as a matter of course. KBS has operated one television channel and one radio channel for advertising use on the assumption that licence fee increase is not possible.

In fact, whether a public service broadcaster takes advertisements may not matter. Many European public service broadcasters are funded by both licence fee and advertising revenues and still manage to schedule many programmes in the public interest. The problem of KBS is that it did not put forth a serious effort to safeguard the identity of public service broadcasting as it could manage to exist by the mixed funding. KBS had pandered to public tastes and justified it on the pretext of insufficient licence fee revenues. As a natural consequence, whenever a structural reformation of broadcasting was brought up, KBS has been placed under the spotlight. The privatisation of KBS 2TV emerged frequently as an agenda of broadcasting reformation. The normalisation of the licence fee system will be the last chance for KBS to accomplish a real reformation. KBS must have a normal funding structure to faithfully realise the rights of the viewers, and to easily solve main tasks such as the operation of digital terrestrial television. The problem of KBS's funding structure is not of quantity but of quality. If such judgements are correct, the reformation of KBS should start from raising the ratio of licence fee revenues in its total income.

The BBC and KBS reorganised themselves in the 1990s. The objectives of those reorganisations were common: to be digital and to be cost-effective. New media and managerial improvements were assessed. Departments for new media were set up both at the BBC and at KBS. Both broadcasters introduced the ERP system, named Apollo at the BBC and DCS at KBS. More precisely, KBS followed the BBC in this regard. The ERP system was designed to deliver a comprehensive e-business platform and to help companies

collaborate and succeed using an integrated and flexible technology infrastructure. KBS reorganised its production in a genre-based system, as had the BBC.

Differences also exist. The BBC reorganised structurally twice while KBS changed its respective structure four times within the almost same period. The range of changes made during this reorganisation period and the distinctiveness of the visions of the two were quite different. The vision behind the BBC's reorganisation was definite and its implementation was consistent. As for Producer Choice, it was established as an instrument of efficiency within the BBC, owing to its steadiness of implementation. It changed radically the way in which the production of BBC programmes were funded and managed. Under Producer Choice, BBC producers were given complete control of their programme budgets and were allowed to buy programme-making related services and facilities, from in-house suppliers or the external market, dependent on price and quality. BBC Resources had to provide its services and facilities at a competitive price. After this, the BBC restructured directorates by a broadcasting process such as Broadcast, which schedules channels and commissions programmes, and Production, which produces programmes. Before restructuring, directorates had been divided by broadcast output like Network Television and Network Radio.

If Producer Choice and succeeding restructuring had been given up half way, the BBC would have been thrown into confusion for a longer time. Consequently, the BBC is better positioned for the digital age than any other broadcaster. On reflection, the direction of BBC reorganisation was right for the change of the broadcasting environment thereafter. But, though the outcome realised was impressive, much still needed to be accomplished, such as recovering both programme quality and a creative culture which had been strangled in the course of reorganisation.

Despite its dual frequencies, the range of changes was restricted to narrow limits at KBS. KBS had carried out its respective restructuring sporadically, as demanded by circumstance,

rather than fundamentally. Whenever it faced difficulties, KBS modified the original plan, and as a result did not accomplish what it had expected. KBS lacked consistency in implementing policy. As the purpose of reorganisation was not explained adequately to the staff, management and staff were at odds. The transition time, which commenced at the announcement of the operation of the reorganisation, was also different and was related to a soft implementation of changes. While a reorganisation plan was announced at least six months before its execution at the BBC, reorganisation was put into practice immediately after its announcement at KBS. Accordingly, confusion ensued and endured for a considerable time period.

Generally, the BBC and KBS were alike in their direction of organisational change, but different in process and result. The similarity of direction reflects the fact that the environments the two broadcasters face and their interpretations are also similar. The difference in process and result is due to the organisations' different broadcasting histories and industrial and organisational cultures. In this respect, this study explored the requirements for KBS to attain public service broadcasting as a reality in a historical and cultural context.

### **8.3 Rethinking the existence of public service broadcasting**

Broadcasting is evolving into a market-oriented system as broadcasting, computing and telecom services merge. Television viewing has also started to fragment as channels multiply. Market control, which has been in the hands of public broadcasters, passes to commercial broadcasters. While commercial broadcasters are expected to increase their income substantially in the future, public service broadcasters are faced with a different fate. With the proliferation of pay per view technology, is it now necessary to impose monthly fees for public service broadcasting irrespective of viewing? In the spirit of fair competition, should broadcasting be left to the dictates of the marketplace? Worldt and Dries see these

factors as having an impact on public service broadcasting and raising the following problems.<sup>310</sup>

(1) Competition: Because the broadcasting industry is changing into an extremely competitive system, public service broadcasting has no choice but to introduce competitive policies. However, its policies for diversification and strategies for strengthening content competitiveness, ultimately, must follow commercialism and profit logic. Such approaches receive criticisms and restrictions. Then, how can they be modified?

(2) Funding: Funding methods for public service broadcasting are different from country to country but the problems relating to funding are similar. Production costs rising much higher than the national average and insecurity of revenues threaten public service broadcasting.

(3) Restructuring and reorganisation: Many kinds of changes could be made for public service broadcasting to be more efficient and to adapt to the competitive environment. By doing so, can an ideal model of public service broadcasting be created?

Views on the existence of public service broadcasting seem tied to views on the marketplace. People who advocate abolishing public service broadcasting argue that the market offers the best broadcasting to consumers. On the contrary, people arguing for maintaining public service broadcasting or its complementary role to the market mechanism, raise issues such as the quality and diversity of broadcasting, the reflection of national culture, and the need for a public forum for democracy, all offered by public broadcasters. They also raise issues on the limitations of the market. Views on public service broadcasting can be broadly divided into three categories.

The first category is the utility theory of public service broadcasting. No matter how the number of channels increases and the market becomes open, the purpose and function of

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<sup>310</sup> Runar Woldt and Josephine Dries, *Perspectives of Public Service Television in Europe* (Düsseldorf: European Institute for the Media, 1998).

public service broadcasting is necessary. This theory breaks into two. One is the reformation of public service broadcasting and the other is the expansion of public service broadcasting. The former stresses that the purpose, function, and structure of public service broadcasting are in need of reformation according to the current of the times. The latter emphasises that public service broadcasting works best when it provides new media and on-line services. By executing expansion strategies, it solidifies its stance in the digital multimedia structure and acts against the attrition and the abolition theory.

The second is the partial-utility theory of public service broadcasting. It sees public service broadcasting as still useful for those in minor groups who accommodate it. Also, the reduction of non-essential functions/manpower and facilities is necessary to serve social needs, which is the most basic of public service. Partial-utility theory believers recognise the necessity of public service broadcasting; however, they do not see any reason or need for it to expand and they assert the reduction of management according to the market environment.

The third is the abolition theory. It is the argument frequently asserted by free market advocates or conservatives. They believe that the ideal or function of public service broadcasting is unnecessary, and it is not valuable enough to use large amounts of public funds to stay in existence even though some parts of its function are necessary. They regard public service broadcasting as old and anachronistic. They belittle it by saying that it fails to adapt to new environment and should share the fate of the dinosaurs as its costs and inefficiency is enormous. They assert that public service broadcasting should be abolished and become privatised.

In the midst of such diverse proposals, an argument is raised that the structure of broadcasting is changing 'from public service vs. the market to public service via the

market'.<sup>311</sup> Regardless of the possibility that public interest may be realised through the market alone, a substantial part of the *raison d'être* of public service broadcasting, based on the spectrum scarcity, becomes weakened. Then, how can public service broadcasting respond to the ever-tightening arguments by the competitors and pressures of opening up? Jakubowicz illustrates several models of public service broadcasting that emerged from wide-ranging policy debates about it in Europe.<sup>312</sup>

(1) The attrition model: in this model, public service broadcasters would not be allowed to adopt digital technology, develop new channels or service, or indeed operate on the Internet in any significant way. This model, proposed by some business quarters, would result in public service broadcasters finally sharing the fate of the dinosaurs, as they failed to adapt to the new environment.

(2) The distributed public service model: this model proceeds from the assumption that the public service role can be separated from the organisations performing it today. Here, public service obligations are not concentrated in a single institution or set of institutions, but are seen as a series of several obligations which can be carried out by any number of broadcasting institutions, mandated (and probably financed) to do so by the regulator. This could be called public service broadcasting without public service broadcasting organisations. It could be regarded as a version of the attrition model, designed to produce the same result much more quickly.

(3) The monastery model: public service broadcasting is seen here as niche broadcasting. In this model, public service broadcasters provide programmes for minority, which commercial broadcasting cannot supply in pursuit of profits. It would just be a complimentary service to commercial broadcasting.

(4) The classical model: this is represented by the typical analogue public service

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<sup>311</sup> Simon Deakin and Stephen Pratten, 'The New Competition in Broadcasting: Trick or Treat?', *Economic Affairs* (December 2000) pp.27-32.

<sup>312</sup> Karol Jakubowicz, *What Prospects for Public Service Broadcasting in Central and Eastern Europe?* (A paper submitted to the IFJ Regional Meeting on Public Broadcasting: Council of Europe, 2002).

broadcasters today, mixing quality and popular programming, in order to fulfil its mission and retain a significant market share.

(5) The semi-commercial model: this refers to public service broadcasters that rely on advertising revenue to such an extent that it affects their programming strategy, forcing them to compete for ratings with commercial rivals by means of very similar programming.

(6) Pure public service broadcasting digital model: public service broadcasters are able to launch new digital channels, but with strictly mission-oriented programming.

(7) The full portfolio model: a public service broadcaster capable of offering via digital terrestrial television, both generalist and thematic channels, as well as on-line 'personalised public service', and in addition complementary pay-TV channels and commercial Internet websites.

(8) Personalised public service model: as audiences move to the interactive, on-line, on-demand environment, public service broadcasters will need to transform themselves also into providers of individualised contents service.

Perhaps most public service broadcasters favour the full portfolio model, while most commercial broadcasters prefer the attrition model. Most academics and civil audience groups seem to favour the distributed public service model. Which road will or can the BBC and KBS take?

Graham and Davies explain the reasons why a broadcasting market running on purely commercial terms would not be desirable.<sup>313</sup> First, the market can provide quality programmes in a short time period but produce programmes of lower quality than people require in the long run. Second, the market neglects the interest and culture of a community, civic rights, and the relationship between citizenship, culture and community as it is an aggregation of individual decisions. Third, broadcasting has its special role in a democratic society and this should not be put under market logic. Fourth, the BBC, which is regarded

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<sup>313</sup> Andrew Graham and Gavyn Davies, *Broadcasting, Society and Policy in the Multimedia Age* (Luton: John Libbey Media, 1997) pp.8-10.

as a successful model for public service broadcasting, was not a market outcome and cannot be made by the market again.<sup>314</sup> Christopher Bland, a former chairman of the BBC, insists that public service broadcasting has merits in the quality, diversity, innovation and distinctiveness of its programming which commercial broadcasting, intent on gain, cannot maintain.<sup>315</sup> Public service broadcasting can and should broadcast programmes which are avoided by commercial broadcasting due to economic considerations.

Under the conditions of complete competition, the market cannot provide quality programming because of its inherent attribute, that of 'market failure'.<sup>316</sup> Market failure describes the inability of the market to distribute resources fairly and effectively. Market failures in broadcasting happen in production in the interaction of consumption and production. This occurs primarily because broadcasting can have 'adverse' externalities which apply to broadcasting more than most other goods and services.<sup>317</sup> An externality, or a secondary or unintended consequence, is in this instance the influence of a group's consumption patterns on the rest of the population. This situation is clearly illustrated in television viewing. As many studies on the effect of television viewing suggest, television has some influence on the opinions, lifestyles, habits, etcetera, of viewers and these opinions, lifestyles, and tastes have implications for other members of the population. Though there are some variations in the theories on the extent of television's influence, there are no objections to its existence. For this reason television should reflect the preferences of those affected indirectly by it as well as those who watch it. Because the market does not take this into consideration, bad and low quality programmes rather than good and high quality programmes proliferate. In addition, the market does not care about the trading of broadcast programmes because such programmes are information and

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<sup>314</sup> Graham and Davies substitute the BBC for the British broadcasting industry in their book of 1997. Compare Andrew Graham and Gavyn Davies, 'The Public Funding of Broadcasting,' Tim Congdon et al. *Paying For Broadcasting* (London: Routledge, 1992) p.171.

<sup>315</sup> Christopher Bland, 'Public Service Past; Public Service Future- The BBC in the Next 75 Years', *Fleming Lecture*, 11 July 1997.

<sup>316</sup> Graham and Davies, op. cit., pp.19-26.

<sup>317</sup> *Ibid.*, p.9.

experience commodities whose contents cannot be ascertained until they are bought and experienced. Also, these programmes generally lose their appeal after that initial experience.

Market failures in production happen as the market concentrates. If broadcasting industries are completely privatised, there exists a monopolistic system controlled by a small number of large-scale broadcasters rather than a competitive system. Monopolistic supply entails monopolistic prices and the population should shoulder these prices. The Italian broadcasting is a typical example. Outwardly it appears that more than 30 channels compete, but in reality all are controlled by Fininvest, which is owned by Silvio Berlusconi. Entertainment programming can consume as much as 90% of broadcast time and more than half of all programmes are imported from the United States. It is difficult to sustain good quality broadcasting within a purely commercial structure because commercial broadcasters, as profit-making enterprises, usually shrink from investment in research and development. If the broadcasting structure is comprised of small commercial broadcasters, each has difficulty making profits adequate for investment in R & D. Yet similarly, if broadcasting is concentrated in big commercial broadcasters, it is also difficult to diffuse the fruits of R & D. For these reasons, commercial broadcasters schedule formulaic programmes which have previously attracted people's attention and use generalised technology rather than investing in new programming or in technology development, both of which require a large investment of time and money.

The possibility of market failure becomes greater through the interaction of production and consumption. In a purely commercial structure, people are liable to choose bad programmes rather than good ones. Thus broadcasters lose the momentum to make good programmes. Also, people cannot watch good programmes if no broadcaster schedules them. Commercial broadcasters only invest substantial time and money in a programme when it is likely to draw high ratings. In addition, broadcasters are likely to follow each other, reinventing poor programming. Over the last few years in Korea, when one broadcaster's programme was popular other broadcasters imitated that programme

immediately and thus a programme consisting of entertainers' gossip from first to last has been scheduled by every channel.

Many people are keeping their eyes on what public service broadcasting will do about the opening up of the digital multimedia-market. Holznagel proposes ten central missions for public service broadcasting in a digital communication system:<sup>318</sup>

- (1) Public service broadcasting has to serve as an 'island of credibility' in fragmented media markets.
- (2) Public service broadcasting guarantees participation by everybody in the advantages of the digital revolution.
- (3) Public service broadcasting has to serve as an independent and credible provider of information.
- (4) Public service broadcasting guarantees the provision of information based on nationwide perspectives and interests.
- (5) Public service broadcasting serves as a nation's (or region's) voice in Europe and in the world.
- (6) Public service broadcasting guarantees quality standards.
- (7) Public service broadcasting corrects the supply shortages of the commercial sector to keep in balance.
- (8) Public service broadcasting serves as a guarantor of cultural identity and preserves the national language.
- (9) Public service broadcasting encourages national and European productions.
- (10) Public service broadcasting is a motor for innovation.

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<sup>318</sup> Bernd Holznagel, 'The Mission of Public Service Broadcasting', *International Journal of Communications Law and Policy*, Issue 5, Summer 2000.

In order for public service broadcasting to perform such tasks, a correct management ideology must be established, and independence must be secured. In addition, the provision of public funds to public service broadcasting is important because it will serve as the base of the goal of public service broadcasting. Thus, the funding factor must be recognised as an important fact next to the ownership structure of broadcasting. As the broadcasting environment is turning to a more competitive, market-centred structure, public service broadcasting will have no choice but to be pushed into minor broadcasting, without the strong foundation of public funds. If the licence fee system does not assist public service broadcasting, public service broadcasting will have no choice but to enforce commercialism to boost advertising competitiveness or to be pressured into selling off channels and assets for private funding.

Thompson argued that all broadcasting companies, in the intensively competitive broadcasting market, are standing at a crossroad whether to follow 'future TV', which has an innovative, an experimental and a bold outlook that may be difficult to fulfil, or follow 'heritage TV'.<sup>319</sup> Now, it is time for public service broadcasting to choose between change and status quo in its concept, role, funding, investment and all other factors.

What to do with public service broadcasting is related to how we want to shape our society. We live in a society where the gap between the rich and the poor ever increases. Public service broadcasting seems to be the only alternative to support citizenship and democracy, and to ensure no one is excluded from the access to information. Commercial media cannot represent public opinion accurately or act as a stimulus to the improvement of our society as they are bent upon profit making. The more dominant commercial broadcasting becomes, the more necessary public service broadcasting which is not motivated by commercial interests, becomes.

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<sup>319</sup> Mark Thompson, 'Innovation, Creativity and Public Service Broadcasting', *Television and Beyond: The Next Ten Years* (London: ITC, 2002).

In conclusion, the 'public purposes' of broadcasting have become more important as audiences fragment and media ownership concentrates.<sup>320</sup> There seems no other way but to maintain public service broadcasting to counterbalance the deficiencies of a commercialising and concentrating broadcast system. A commercial broadcasting system on its own would fail to provide the form of broadcasting which people individually or citizens collectively demand.<sup>321</sup> Public service broadcasting would exercise a positive influence on the quality and behaviour of the whole system. Public service broadcasting would act as a forum for democratic society, bridging the gap between the information rich and poor, and delivering the benefits of new technology to society as a whole. In terms of its funding mechanism, the licence fee is deemed most desirable. The range of programming is guaranteed under the licence fee system, but the continuation of licence fees is challenged, as people do not take public service broadcasting for granted any longer. The future of public service broadcasting depends on the achievement of consensus in favour of the existence of public service broadcasting.

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<sup>320</sup> For further discussion on the public purposes of broadcasting, see Andrew Graham et al., *Public Purposes in Broadcasting: Funding the BBC* (Luton: Luton University Press, 1999).

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<sup>321</sup> Graham and Davies, op.cit., p.63.

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## Appendix

### 1. The chronology of British Broadcasting and BBC

- 1922 British Broadcasting Company Ltd is set up
- 1927 British Broadcasting Corporation is established by Royal Charter
- 1936 BBC begins television service.
- 1954 Television Act establishes ITV
- 1955 Independent television commences
- 1964 BBC 2 commences
- 1967 BBC 2 starts regular colour  
ITV re-franchises
- 1969 BBC 1 and ITV start regular color
- 1974 Annan Committee on broadcasting (reports 1977)
- 1982 Channel 4 starts  
ITV re-franchises
- 1983 Rupert Murdoch launches Sky Television
- 1985 Peacock Committee on BBC finance (reports 1986)
- 1988 White Paper, *Broadcasting in the 90s: Competition, Choice and Quality*
- 1990 Deregulation of ITV (Channel 3 commences 1991)
- 1991 Government pegs BBC licence fee below the rate of inflation
- 1992 White Paper, *The Future of the BBC: Serving the Nation, Competing World-wide*
- 1993 Producer Choice is launched throughout BBC
- 1996 Broadcasting Bill  
Renewal of BBC Charter
- 1997 BBC signs an agreement with Flextech plc to launch subscription channels
- 1998 BBC agrees with Discovery to co-produce programmes and launch various channels around the world

BBC starts terrestrial digital television service

## **2. The chronology of Korean Broadcasting and KBS**

- 1947 Korea receives call sign of 'HL' from ITU. KBS is established and starts radio broadcasting.
- 1948 KBS launches national radio service..
- 1956 The first television station (HLKZ-TV) in Korea is established
- 1957 AFKN (American Forces Korean Network) begins broadcasting
- 1961 KBS launches television broadcasting service.
- 1963 The first broadcasting law is enacted.
- 1964 The first commercial television station (TBC-TV) begins broadcasting
- 1969 The second commercial television network (MBC-TV) is inaugurated.
- 1973 Revisions in the broadcasting law are enacted.
- 1980 Government initiates realignment of media systems. KBS is changed into a public corporation. Enactment and promulgation of the Basic Press Law envisioning the Korean Broadcasting Commission
- 1981 First regular color broadcasting by three networks (KBS 1, KBS2, MBC) begins. Establishment of the Korean Broadcasting Commission (Basic Press Law, Article 34)
- 1986 National Assembly passes Cable Broadcasting Management Act. 'Refusal To Pay Licence Fees Movement' takes place nationwide.
- 1987 The Korean Broadcasting License is issued to SBS-TV. The Cable-TV system experiment is undertaken.
- 1988 KBS takes charge of the Host Broadcaster of the 1988 Seoul Olympics.
- 1991 The National Assembly enacts the Cable Television Law.
- 2000 The new Broadcasting Law is promulgated.
- 2001 KBS launches digital terrestrial television service.

### **3. Main terrestrial broadcasters in Korea**

**Korean Broadcasting System (KBS):** KBS is the nation's key broadcaster and operates two free-to-air television channels, six radio channels including multi-lingual Radio Korea International (RKI) and one special radio channel for the handicapped. KBS has a total of 25 local stations all over the country. RKI is the specified radio channel which focuses on Korea's current issues, culture and traditions and is transmitted in 12 different languages through twenty three short waves and a medium wave. KBS is financed by licence fees and advertising revenues. The amount of licence fee is about 40% of the sum of total revenues of KBS in 2001. The licence fee is decided after obtaining approval from the National Assembly via the Commission. The current amount of licence fee is 2,500 Korean Won (about GBP £ 1) per household which owns TV sets. The Korean Broadcasting Commission has the authority to appoint the executive auditor of KBS. The 11 members of the Board of Governors of KBS are appointed by the President on the recommendations of the Commission and the president of KBS is appointed by the President upon a nomination of the Board of Governors.

**Educational Broadcasting System (EBS):** EBS is a specialized public broadcaster for educational programmes. EBS supports himself by the Broadcasting Development Fund and advertising revenues. EBS is subsidized by KBS with the amount equivalent to three percent of its total licence fee revenues per year. The KBC has the power to appoint the president, auditor and five members of the Board of Governors of EBS.

**Munwha Broadcasting Corporation (MBC):** MBC is legally a private-run corporation. But the controlling stockholder of MBC is the Foundation for Broadcast Culture, a public independent body, which was established under the Foundation for Broadcast Culture Act. So MBC also has the status as a public broadcaster to serve for public interest. MBC has a

total of 19 affiliates throughout the country and supports himself by commercials. The KBC has the authority to appoint the executive auditor and all the nine members of the directors of the Council of the Foundation for Broadcast Culture.

**Seoul Broadcasting System (SBS):** The leading broadcaster among local terrestrial broadcasters which operate television and radio channels in their respective relevant market areas. The local terrestrial broadcast stations launched their regular services in 1995-7.

Table 1. Network broadcasters and operating channels

Network broadcasters	Channels
1.KBS	KBS-1 TV, 2 TV, KBS-1 FM, 2 FM, KBS-1 AM, 2 AM, Liberty Service Program, Radio Korea International, Special Radio Channel for the Handicapped/Digital KBS 1TV, Digital KBS 2TV
2.EBS	EBS TV, FM/Digital EBS TV
3.MBC	MBC TV MBC AM, MBC FM/Digital MBC TV

Table 2. Local broadcasters and operating channels

Local broadcasters	Channels	Areas
1. SBS	SBS TV,AM,FM /Digital SBS TV	Seoul and part of Gyung-gi province
2. TBC	TBC TV, FM	Daegu and part of Gyungsang province
3. KBC	KBC TV, FM	Gwangju and part of Jonra province
4. TJB	TJB TV, FM	Daejon and part of Chungchung province
5. PUBLIC SERVICE BROADCASTING	PUBLIC SERVICE BROADCASTING TV, FM	Busan and part of Gyungsang province
6. UBC	UBC TV, FM	Ulsan and part of Gyungsang province
7. JTV	JTV TV, FM	Jonju and part of Jonra province
8. ITV	ITV TV	Inchon and part of Gyung-gi province
9. CJB	CJB TV, FM	Chungju and Chungchung province
10. GTB	GTB TV	Gangwon province
11. JIBS	JIBS TV	Jeju island
12. KFM	K FM	Part of southern Gyung-gi province